

**Internal Audit Quality and Public Sector Performance in Nigeria**

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## Certification

This document entitled “Internal Audit Quality and Public Sector Performance in Nigeria” carried out by “Oluwasola Abosedo Familoni, Matric No: LCU/PG/002378 in the Department of Management and Accounting. FACULTY OF SOCIAL SCIENCE, Lead City University Ibadan, Nigeria. And that work has not been previously submitted.

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## **Dedication**

This research work is dedicated to Almighty God, my husband, the triumphant boy, also to my siblings, for their support, love and understanding throughout.

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## Abstract

The objective of the study is to examine the effect of internal audit quality and public sector performance accountability in Nigeria. The study examined the relationship that exist between internal audit quality, internal audit monitoring, internal audit control and internal audit competence on public sector performance accountability in Federal Inland Revenue Service. In the study, primary data was utilised through administration of 385 copies of questionnaire to respondents in Federal Inland Revenue Service but 320 copies were received which is 83.1%. The results showed that respondents were majorly male which is 71.3%. While major respondents are within the age of 31-40 years , which is 85.6% Simple percentage, descriptive statistics and categorical (general) least square were used as data analysis techniques. The findings showed that there is significant combined influence of Internal audit competence, internal audit control, Internal audit monitoring and internal audit quality on public sector performance accountability in Federal Inland Revenue Service. The result indicated that internal audit control, internal audit competence, internal audit monitoring and internal audit quality are crucial in Federal Inland Revenue Service performance accountability. Furthermore, the study examined tax administration and its impact on revenue generation, highlighting the role of tax audit mechanisms as essential for monitoring tax collection effectively.

**Key Words:** Internal audit quality, Public sector, Performance accountability in Nigeria.

**Word Count:** 276

# Chapter One

## Introduction

### 1.1 Background to the Study

Public sector accountability refers to the obligation of government entities, public officials, and civil servants to justify their decisions and actions to the public and other relevant stakeholders. It encompasses transparency, where government operations and policies are openly accessible to citizens; responsibility, where officials must act according to established rules and ensure efficient use of public resources; answerability, requiring officials to explain and defend their decisions upon request; control and oversight, with mechanisms in place to monitor activities and enforce accountability; and ethical standards, promoting integrity and preventing corruption to ensure actions align with the public interest<sup>1,2</sup>. This framework helps ensure that public administration is conducted transparently, fairly, and in compliance with the rule of law, ultimately serving the best interests of society.

Public service accountability in Nigeria involves the obligation of government officials and institutions to act transparently, responsibly, and ethically, responding to the needs and scrutiny of the public<sup>3</sup>. Despite various initiatives and legal frameworks aimed at fostering accountability, such as the creation of the Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices and Other Related Offences Commission (ICPC), challenges persist due to endemic corruption, weak institutional capacities, and a lack of transparent governance<sup>4</sup>.

Recently, the Nigerian society has been filled with stories of wrong practises. These stories include tales of ghost workers on the pay rolls of Ministries, Extra-ministerial Departments, and

Parastatals; frauds, embezzlements and corruption can be found everywhere in the country<sup>4</sup>. This, to say the least, depletes the nation's resources through dishonest means and has far-reaching consequences for the nation's attempts to advance its socio-economic or political agendas.

Every year, the public sector suffers losses totalling billions of Naira as a direct result of fraudulent activities<sup>4</sup>. This just accounts for the amount of information that is discovered and made public. Massive sums are lost as a result of scams that are either not discovered or are covered up for one reason or another. There are so many instances of fraud in the Nigerian public sector that every part of the public service can appear to be complicit in some way or another in some of these awful deeds<sup>5</sup>. The scourge of public sector financial mismanagement in Nigeria ever since the oil boom years, a period during which there existed structurally weak control mechanism, which creates a variety of loopholes that have tended to facilitate and sustain corrupt practises. This bane of public sector financial mismanagement in Nigeria has been present in the country since the oil boom years. This is compounded by the fact that there is a near total absence of the concept and ethics of accountability in the manner in which public affairs are managed throughout the country<sup>6</sup>.

A stable macroeconomy, a commitment to social and economic equity, and the promotion of efficient institutions by means of structural reforms such as trade liberalisation and domestic deregulation are all essential components of a framework for effective economic and financial management<sup>7</sup>. The quantity and monetary value of public sector activities have expanded significantly. This growth in activities has resulted in a greater demand for public officers who oversee these activities to be accountable<sup>8</sup>. Governments, which wield administrative and political authority over the acts and affairs of political units of people, are giving serious thought

to the need to be more accountable for the frequently enormous amounts of investment in resources under their control.

Internal auditing is a profession and activity that advises firms on how to achieve their goals more effectively by controlling risks and enhancing internal control. Internal audit is an independent activity objectively, confirmatory and consultant determine to add value and improve the organisational operations and by helping them to achieve their objectives through a systematic and discipline method to evaluate and improve the effectiveness of risk management and control processes<sup>9</sup>. Internal auditing is administrative oversight charged with ensuring the continued application and monitoring of company policies on preventing fraud and corruption<sup>10</sup>. A position established within an organisation to monitor and evaluate its activities and report to the relevant authority.

As the administration of an organisation cannot be familiar with every aspect of the organisation, the internal audit department becomes the principal means of supervising the organization's actions as the "watch dog" of other government rules. It entails checks and balances, monitoring, and preventing theft, embezzlement, and misappropriation of funds; this is performed by the internal audit department, among others<sup>10</sup>.

Several instances of corruption, bribery, misuse of corporate finances, and theft of property have been documented in the majority of organisations, particularly in the public sector, according to the findings of a research<sup>11</sup>. Therefore, managers in business organisations employ internal auditing as a way of monitoring to increase record correctness and reliability<sup>12</sup>. Effective and efficient account auditing ensures accurate reporting of an organization's actions. The scope of internal auditing within an organisation is broad and may include a variety of internal control-

related activities, such as the review of the effectiveness and efficiency of operations, the reliability of financial reporting, the investigation of fraud, risk assessment, the protection of assets, and compliance with laws and regulations<sup>13</sup>. Internal audit activities therefore provide assurance on the effectiveness of public sector entities' internal control environment and compliance with laws and regulations.

Currently, internal audit is a crucial component in determining the quality of internal control in the public sector, and its development has contributed significantly to the enhancement of public sector management<sup>14</sup>. Internal auditors assess risks, identify critical activities and pertinent risk factors, and evaluate their significance<sup>15</sup>. The manner in which an internal auditor evaluates risk is influenced by shifting economic trends and situations. Internal auditing approaches have evolved from a reactive and control-based form to a proactive and risk-based approach. This allows the internal auditor to foresee potential future challenges and opportunities in addition to recognising current problems. Internal audit examines operations and verifies information, and Internal Auditors collaborate closely with line directors to review operations and then report their findings. The internal auditor must be well-versed in the strategic objectives of the business in order to have a clear grasp of how the activities of any particular division of the organisation fit into the organization's larger picture<sup>15</sup>.

Compliance review ensures that the organisation complies with all applicable rules, regulations, and laws, as well as codes of practise, standards, and principles. Internal auditors, like other professionals such as accountants, biologists, attorneys, and engineers, have duelling loyalties and identities: to their profession and to their employer. Auditing is widely recognised as one of the most essential services provided by any firm. Therefore, the audit system provides a means for management to account to shareholders and ensure that money at their disposal are utilised in

the best interest of the organisation as a whole<sup>16</sup>. In managing the organization's financial resources, internal auditors play a crucial role in ensuring that funds are used for their intended purpose, thereby maximising the State's profit. In addition, an audit is a systematic, independent process of acquiring relevant and verifiable audit evidence, records, statements of facts, or other information and reviewing it objectively to determine the extent to which a set of policies, procedures, or requirements are met. Multiple audit techniques may be applied to meet the audit objective.

The Federal Inland Revenue Service is the agency within the Nigerian federal government that is in charge of assessing, collecting, and accounting for taxes and other forms of revenue that are owed to the federal government. The following types of taxes are among those that the FIRS is responsible for assessing, collecting, remitting, and accounting for as part of its main functions: The Petroleum Profit Tax (PPT), the Companies Income Tax (CIT), the Withholding Tax on Companies, Residents of the Federal Capital Territory, and Non-Resident Individuals (WHT), and the Value-Added Tax (VAT) (VAT) - Education Tax (ET), - Capital Gains Tax (CGT), and Pay as You Earn (PAYE) for residents of the Federal Capital Territory, members of the armed forces, police, and other paramilitary organizations<sup>17</sup>. If it is carried out correctly, internal auditing will reveal instances of fraud, corruption, poor management, irregularities, and noncompliance with institution policies wherever these problems are present.

In this study, the accountability of FIRS is measured using compliance with the rules of engagement, revenue target and revenue remission.

## **1.2 Statement of the Problem**

Internal auditing plays a pivotal role in enhancing organizational effectiveness and performance in the public sector. However, within the context of agencies like the Federal Inland Revenue Service (FIRS), where performance is intricately linked to compliance, revenue target, revenue collection and performance accountability, understanding the specific impact of internal auditing on these performance indicators is imperative. Despite the acknowledged importance of internal auditing, there exists a significant paucity in the literature regarding its effectiveness as a management tool within public sector entities, particularly within the FIRS.

Previous studies show limited empirical research and scholarly discourse focusing on the influence of internal auditing practices especially on key performance metrics such as compliance, revenue target, revenue collection and performance accountability within the FIRS. The existing literature primarily focuses on general aspects of internal auditing or examines its role in the private sector, leaving a substantial gap in knowledge regarding its application and effectiveness in tax administration. Hence, this study intends to address the gap by studying; internal audit quality and public sector performance in FIRS<sup>4</sup> conducting a comprehensive investigation into the influence of internal auditing as a management tool on public sector performance, specifically within the FIRS. By focusing on key performance indicators such as compliance, revenue target, revenue collection and performance accountability, the study aims to provide empirical evidence on the efficacy of internal auditing practices in public sector performance accountability within the context of tax administration.

### **1.3 Aim and Objectives of the Study**

The aim of the study is to examine the influence of Internal Audit quality on public sector performance accountability. Specifically, the study seeks to achieve the following objectives:

- i. assess the effect of internal Audit competence on compliance in Federal Inland Revenue Service;
- ii. analyse the effect of Internal Audit control on meeting the revenue targets in Federal Inland Revenue Service;
- iii. establish the impact of internal audit monitoring on revenue collection in Federal Inland Revenue Service; and
- iv. determine the effect of internal audit quality on public sector performance accountability in Federal Inland Revenue Service.

#### **1.4 Research Questions**

Based on the stated objectives, the following research questions were answered in this study:

1. What is the effect of Internal Audit competence on compliance in Federal Inland Revenue Service?
2. What is the effect of Internal Audit control on meeting the revenue targets in Federal Inland Revenue Service?
3. Does Internal Audit monitoring have impact on revenue collection in Federal Inland Revenue Service?
4. What is the effect of Internal Audit functions on public sector performance accountability in Federal Inland Revenue Service?

#### **1.5 Hypothesis**

The hypothesis stated below will be tested at 0.05 level of significance:



Ho1: To what extent does combined influence of Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit quality on public sector performance accountability in Federal Inland Revenue Service?

Ho2: To what extent does Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit quality influence public sector performance accountability in Federal Inland Revenue Service?

## **1.6 Significance of the Study**

A study on Internal Audit Quality and Public Sector Accountability in Nigeria will benefit various stakeholders. It will benefit government officials and policymakers to understand the relationship between internal audit quality and public sector accountability can help policymakers and government officials make informed decisions on regulations and policies. Insights from the study can guide the development and enhancement of internal audit frameworks and accountability mechanisms within the public sector. This, in turn, can lead to more effective governance structures and improved overall accountability.

Also, to Internal Auditors and Audit Practitioners can gain valuable insights into the factors that contribute to audit quality, helping them refine their practices. The study can identify best practices and challenges in internal audit within the context of the Nigerian public sector. Internal auditors can use this information to enhance their audit processes, improve risk management, and contribute to better accountability. To the academic and research community, scholars and researchers can expand their knowledge of the relationship between internal audit quality and public sector accountability, contributing to academic literature. The study can provide a basis for further research, creating opportunities for academics to delve deeper into

specific aspects of internal audit quality and public sector accountability. This can lead to the development of new theories, models, and frameworks.

Civil society organizations (CSOs) and advocacy groups can use the findings to hold the government accountable and advocate for improvements in public sector accountability. The study can serve as evidence for CSOs to highlight areas of concern or success in the public sector. It can empower them to engage in informed advocacy and promote transparency and accountability in government operations. Findings from this study will make taxpayers and the general public have more confidence that their contributions are used efficiently and effectively. This, in turn, can foster trust in government institutions.

Finally, international organizations and donors can use the study to assess the governance landscape in Nigeria and tailor their support accordingly. The findings can inform international organizations about the strengths and weaknesses in Nigeria's public sector accountability, helping them design targeted interventions and support programs.

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

The scope of this study focuses on internal auditing in public sector accountability, using FIRS as a case study. The study covers the basic functions of performance accountability in FIRS that makes up the dependent variables of this study in terms of compliance, revenue target and revenue collection. The independent variables include Internal Audit competence, Internal Audit quality, internal audit competence, internal audit monitoring and control

### **1.8 Limitation of the Study**

The study has some limitations that should be acknowledged:

1. The research was conducted within a specific organizational and geographic context, limiting the generalizability of the findings to other settings or industries. Different organizational cultures or regulatory environments might yield different implications and outcomes.
2. The study represents a snapshot in time and may not account for changes in internal audit practices or stakeholder expectations that evolve over time. This temporal limitation restricts the study's ability to predict long-term trends or the impact of future regulatory or market changes on internal audit effectiveness.
3. Given that the data collection relies heavily on self-reported measures from within the organization, there is a potential for bias in the responses. Participants might have provided answers that reflect more favourably on the organization or their department due to personal bias or a desire to conform to organizational norms.

### **1.9 Operational Definition of Terms.**

**Accountability:** Is a legal and reporting framework, organizational structure, strategy, procedures and actions to help ensure that any organisations that use public money and make decisions that affect people's lives can be held responsible for their actions.

**Audit:** Audit system provides a means for management to account to shareholders and ensure that money at their disposal are utilised in the best interest of the organisation as a whole.

**Financial Statement:** this is a formal record of the financial activities and position of a business, person or other entity.

**Fraud:** Fraud is a deliberate deception with design of securing something by taking unfair advantage of others loss (private and public) by means of cheating, dishonestly duplication or imposition

**Internal Auditing:** Internal audit can be defined as an independent activity objectively, confirmatory and consultant determine to add value and improve the organisational operations and by helping them to achieve their objectives through a systematic and discipline method to evaluate and improve the effectiveness of risk management and control processes

**Internal Audit Quality:** refers to the effectiveness, efficiency, and reliability of internal audit processes and activities in providing accurate and valuable assurance, advice, and insights to an organization's management and stakeholders.

**Internal Audit Independence:** refers to the ability of an internal audit function to perform its responsibilities objectively and impartially, free from any undue influence or interference that could compromise the integrity of its assessment

**Internal Audit Monitoring:** This is the ongoing process of assessing and evaluating the effectiveness and efficiency of internal audit activities to ensure they align with organizational goals and comply with relevant standards and policies.

**Internal Audit Monitoring and Control:** involve the continuous oversight and evaluation of internal audit processes, ensuring they are effectively designed, implemented, and adhered to, to enhance the reliability and integrity of organizational governance and risk management.

**Revenue Remittance:** This is part of the internal audit functions is to ensure that the Service (FIRS) rendered all the revenue generated to the appropriate account in a timely and efficiently as designated.

**Revenue Target:** These are targets set by the FIRS for revenue generation into the federation account. Each zones, states and regions are given a particular target so as to meet the Service proposed targets for the year

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## Chapter Two

### Literature Review

#### 2.1 Conceptual Review

##### 2.1.1 Public Sector

The public sector, also known as state sector, is part of the economy composed of both public service and public enterprises<sup>1</sup>. Public sectors include the public goods and governmental services such as the military, law enforcement, infrastructure, public transit, public education, along with health care and those working for the government itself, such as elected officials. Public sector might provide services that a non-payer cannot be excluded from (such as street lighting), services which benefit all society rather than just the individual who uses the service<sup>1</sup>. Public enterprises or state -owned enterprises, are self-financing commercial enterprises that are under public ownership which provide various goods and services for sale and usually operate on a commercial basis. The public sector is made up of various forms such as departmental undertakings, public corporations, statutory corporation and government company<sup>1</sup>.

**1. Departmental Undertakings:** This is the oldest form of public sector enterprises. The departmental undertaking is considered as one of the departments of government. It has no separate existence than the government<sup>1,2</sup>. It functions under the overall control of one ministry or department of government. For example, Railways, post & telegram, broadcasting , telephone service etc.



**2. Public Corporation/ Statutory Corporation:** A statutory corporation is a body corporate formed by special act of parliament or by the central or state legislature. It is fully financed by the government. Its powers, objects, limitation etc. are also decided by the act of legislature<sup>2</sup>.

**3. Government Companies:** The company in which at least 51% of the paid-up capital is held by the central or state government or partly by central or state government is government company<sup>2</sup>. The government companies are governed & ruled by provision of the companies act. Government companies were incorporated into two main objectives: To achieve more equity in the distribution of wealth and income amongst the citizens of the country and to gain the momentum in the growth of the nation. Features of a government company include;

- i. It is a separate legal entity. The government company is wholly or partly owned by the government. The share capital of these companies is owned by the government.
- ii. It is incorporated under Company Acts. The government company gets incorporated under the company act, 1956. All the provision of companies act are applicable to a government company.
- iii. The management is governed and regulated by the provision of Companies Act. The government is managed by the board of directors, who are nominated by the government and other shareholders. The government has the authority to appoint a majority of the directors.
- iv. The Memorandum of Association and Article of Association govern the appointment of employees.

A government company gets its funding from government shareholding and other private shareholdings. The company can also raise money from capital market. A government company is audited by the agency appointed by the central government. To incorporate a government company, all the provision of the Companies Act are to be followed.

The government organization enjoys all autonomy in management decisions and flexibility in day to day activities. These companies control the local market and sustain it to curb the unhealthy business practices. However, the limitation of government companies are<sup>1</sup>:

- i. These companies face a lot of government interference and involvement of government officials, ministers and politicians.
- ii. As these companies are financed by the government, so these companies evade all constitutional responsibilities of not answering to the parliament<sup>1</sup>.

### **2.1.1 Accountability**

Accountability can be perceived as disturbing the values that have been upheld for a very long time in the public service sector, but not as weakening such values<sup>1</sup>. Accountability allows for reliable accounting and financial reporting, as well as the efficient allocation of resources, which is important considering that the primary objective of the government is to direct its limited financial resources toward the production of those goods and services that are in high demand<sup>2,3</sup>.

According to the International Federation of Accountants (IFAC), accountability is a collection of responsibilities and practises that are carried out by the board of directors and the executive management of an organisation with the intention of providing strategic direction, ensuring that objectives are met, confirming that risks are appropriately managed, and confirming that the

organization's resources are used in a responsible manner<sup>4,5</sup>. This idea of accountability was derived from the enterprise governance model, which consists of two components: conformity and performance. In broad strokes, the performance dimension places an emphasis on value creation and strategy, in contrast to the compliance dimension, which is more concerned with accountability and assurance services.

Despite the fact that different people have different definitions of accountability, accountability theories have gained prominence in the literature on public administration. These theories encompass three core aspects of accountability<sup>6,7</sup>. First and foremost, the notion that accountability is a relational phrase is at the very core of the concept of accountability. The responsibility for this matter is with the other party. The second way to think about it is in terms of the obligations that one entity (person or organisation) has toward another. The presentation of explanations for one's behaviour is the primary topic of this paragraph. Thirdly, being accountable requires having the power to impose consequences when acts are judged to be deficient in some way. "a relationship between an actor and a forum, in which the actor has the obligation to explain and to justify his or her action, the forum can raise questions and pass judgement, and the actor can be sanctioned" is a definition of what "a relationship between an actor and a forum" means<sup>7</sup>. This definition of accountability encompasses the main parts of the concept, as it stresses the significance of an interaction between actors and the forum, as well as the function of obligation and punishment in the event of deviation from the norm.

Accountability can be defined more broadly as the obligation of one party to provide information and/or justification to another party and/or face sanctions from the second party for inaction or inappropriate behavior<sup>6</sup>. This obligation is included in the definition of accountability. It takes into account making one party or individual accountable for another's acts or lack of actions.

Therefore, accountability refers to the practise of holding both organisations and individuals responsible for the results of their actions<sup>5</sup>. It is necessary to provide a precise definition of the desired results, as well as identify who will be responsible for accomplishing them and for whom. Who was responsible for taking the credit or the blame? To put it more succinctly, X was accountable to Y for Z.

### **2.1.1 Accountability School of Thought**

There are two concepts of accountability will be highlighted in this study. Accountability as a virtue and accountability as a mechanism. These two discourses emerged mainly from two schools of thought<sup>6</sup>.

#### **2.1.1.1 Accountability as a Virtue**

This perspective on accountability originated primarily within the scholarly and political discourse of the United States, although this was not the case solely. In this context, accountability is most often understood as a normative concept, that is, as a set of guidelines for the assessment of the actions taken by public actors<sup>8</sup>. Accountability, or more specifically, the state of being accountable, is regarded as a desirable trait in those who hold positions of authority within companies. Because of this, studies on accountability frequently centre their attention on normative concerns, namely the evaluation of the real and ongoing behaviour of public agents. In this context, accountability is understood to be a normative term, or more specifically, a set of criteria for the assessment of the actions taken by public actors. To be more specific, this set of academics views responsibility as the ability to accountable it is seen as a virtue, or a positive quality of organizations' officials<sup>6</sup>.

### **2.1.1.2 Accountability as a Mechanism**

The second viewpoint is based on a scholarly debate that has taken place in the United Kingdom, Australia, Canada, and Continental Europe. In this context, accountability has a more specific and detailed meaning. It is considered to be an institutional relation or structure in which a forum has the ability to hold a participant accountable<sup>9,10</sup>. In this context, the focus of accountability studies is not on the actions of public agents but rather on the functioning of the institutional arrangements in question. The second school of thought views accountability as a social "mechanism," or an institutional relation or arrangement, in which an agent can be held to account by another agent or institution. This view contrasts with the first school of thought, which views accountability as a social "process." Due to the fact that these two theories of accountability are both helpful to the study, this research took elements from both of them.

Accountability can be defined as the process by which organisations that provide public services and the individuals who work within those organisations are held responsible for their decisions and actions. This includes their stewardship of public funds, fairness, and all aspects of performance<sup>10</sup>. This will be accomplished by creating, keeping, and making available accurate and pertinent financial and non-financial information, as well as by fairly disclosing that information to internal and external stakeholders in timely reports. Accountability can be defined as the duty that is imposed on any individual who possesses power or authority or is in a position of trust to act for and on behalf of another person to accept responsibility for his actions and to offer an account of stewardship whenever it is essential to do so<sup>11</sup>. It is one of those terms that

are utilised in the study of government, and it is one that is frequently prone to repeated overuse and has an ambiguous or shifting definition.

It is possible to get the impression that accountability is being aimed toward the community as a whole as opposed to the lines of constitutional accountability. Holding those who hold public office responsible for the actions they do in the course of performing their duties to the public is another aspect of accountability<sup>12</sup>. This is a reference to the actions that they have taken, both financially and administratively, in respect to the public office that they currently hold. It is also possible to view it as the obligation placed on everyone who possesses the ability or authority to act for and on behalf of the people to accept responsibility for his actions and to account for his stewardship whenever it is required to do so<sup>13</sup>. Because of this, accountability can be understood in the context of this study as the state of discharging one's responsibilities in a way that enables potential beneficiaries and third parties to make educated judgements about whether or not the person entrusted with the obligation was fair. Because of this, it should not be confused with sincerity or truthfulness<sup>10</sup>.

Although the idea of accountability has a long historical tradition in political science and accounting, it is currently considered to be multi-faceted, complex, and difficult to delimit. This is due to the fact that it is difficult to determine who is accountable for what. Additionally, the phrase is quite challenging to render in a number of languages<sup>10</sup>. However, it is generally accepted that it is linked to the concepts of accepting responsibility and the requirement to "give account," where the primary goal is transparent management that takes into consideration performance indicators<sup>14</sup>. Since accounting records are created by a responsible (accountable agent), who should give account to a specific entity in order to fulfil the legal requirements that entity is bound by accountability is referred to as the "reason d'être" of accounting. It is the

obligation of a person or entity to render account to another, for the performance and effects of its acts, and the person or entity may be subject to bonuses and incentives for doing so, or they may be liable to penalties and sanctions<sup>13</sup>.

To "render accounts" (be accountable) does not only mean an obligation imposed by the legislation in force, but rather an individual responsibility by the managers of the entities to the various stakeholders, for the performance of delegated functions, considering the interests of whoever elects or appoints them, as well as the objectives defined in an action. Over time, the concept of accountability has taken on a new dimension both in businesses and in the public sector. In an effort to provide a concise summary of the various definitions and concepts, the term "accountability" might be defined as "the practise of holding public administrators indefinitely responsible for the actions performed in connection with the use of the power provided to them by the society<sup>14</sup>." Because of this, accountability is an essential component of good governance. It requires decision-makers to take responsibility for their actions and prevents the abuse of power. Accountability is presented as a contribution that is used "not only to control the management of public resources, but also as a way to stimulate economic gains and the efficiency of those resources<sup>14</sup>."

A method for controlling results and conversation with citizens, enhancing the capacity to respond to their requirements, might be understood as the role that internal auditing plays in the promotion of accountability in the public sector. Citizens, through the exercise of their voting power, can reward and punish, through election or exclusion, those who rule over them and represent their interests. This is a broad definition of accountability. But it also takes place in a certain fashion, in the way that daily operations are carried out and in the way that public agents and institutions behave. Despite the fact that there are many different ways to define

accountability, there are three aspects that are consistently included: an objective responsibility for individual performance; the obligation to "render accounts;" and transparency regarding the actions that have been taken. These aspects all take into account an evaluation of performance based on qualitative and quantitative indicators<sup>14,15</sup>. From the above, the main distinctive features of accountability can be summarized in the following principles:

- i. **Being Held Responsible:** This is the lowest common denominator that illustrates the level of responsibility that comes along with having the ability to make decisions. This individual is obligated to give account through the provision of quantitative facts and signs that can be verified. The acts of public managers are subject to accountability, which can take the form of cash incentives (based on merit) or fines (based on coercion), depending on the outcomes that are achieved and the degree to which they comply with the applicable legal or regulatory standards.
- ii. **Rendering Accounts:** Accountability and rendering accounts represent a mutually related binomial due to the fact that the latter is a major means of promoting the former. This is due to the fact that the information provided by management boards allows them to be held responsible for the actions taken in managing public resources<sup>10</sup>. As a result, in order to ensure accountability, it is necessary to evaluate and disclose information about the actions taken and the resources used, as well as deviations and the respective justifications between what is planned and what is actually carried out, as the entire process of attributing responsibility derives from making that pertinent and opportune information available<sup>10</sup>. In addition, preparing the "accounts to be rendered" means complying with legal requirements and taking into consideration the guidance provided by the applicable legal rules and standards. These "accounts to be rendered" must also



include measurable indicators regarding the degree to which citizens are satisfied with the services that are being provided, as quality is regarded as an essential component of sustained success<sup>14,16</sup>.

- iii. **Transparency:** When thinking about a more comprehensive concept of accountability, it is necessary to demand not only that information be available, but also that it be reliable and easy to access. This will help contribute to the promotion of transparency. Comprehensibility, relevance, dependability, and timeliness are some of the criteria that should be met by the information that is presented to stakeholders<sup>10</sup>. Accountability and transparency are highlighted as two crucial components of good governance in the set of principles known as the principles of transparency and accountability. The battle against corruption, improved management, and increased responsibility all benefit greatly from increased transparency as a core component<sup>10</sup>.

### **2.1.2 Principles of Accountability of Public Sector's Funds**

Good governance includes a number of essential components, including accountability and transparency. The constant application of transparency as a powerful tool has the potential to aid in the fight against corruption, strengthen government, and further promote accountability in FIRS. Both accountability and transparency can be difficult to disentangle from one another because they include many of the same activities, such as providing public reports<sup>10</sup>. The term "accountability" refers to the legal and reporting framework, as well as the organisational structure, strategy, procedures, and actions that are designed to help ensure that: It satisfies their legal obligations with regard to their audit mandate and required reporting within their budget<sup>10</sup>.

It assesses and monitors the performance, in addition to the influence of their audit on the organisation. It should report on the regularity and efficiency of the use of public funds, including their own activities and the use of SAI resources. This should be included in the report.

The term "transparency" refers to timely, reliable, clear, and pertinent public reporting by the Auditors that omits status, mandate, strategy, activities, financial management, operations, and performance<sup>7</sup>. In addition to that, the findings and conclusions of the audit must be made public and that the general public must have access to information regarding the Audit Principles<sup>6</sup>. Carry out their responsibilities within the confines of a legal system that allows for accountability and openness. In order to ensure responsibility and accountability, there should be guiding legislation and regulations. In this way, they can be held responsible and accountable. Such legislation and regulations generally cover:

- i. The audit authority, jurisdiction and responsibilities, the finance department operating and financial management requirements, Timely publishing of audit reports, the oversight of the finance department activities, and the balance between public access to information and confidentiality of audit evidence and other information.
- ii. Make their mandate, responsibilities, mission, and strategy available to the public. They need to make their mandate, their missions, their organisation, their strategy, and their interactions with a variety of stakeholders, including legislative bodies and executive authorities, known to the public.
- iii. They should encourage making public basic information about their mandate, responsibilities, mission, strategy, activities and in addition to their country languages.

- iv. Consider implementing auditing standards, procedures, and techniques that are objective and transparent<sup>7</sup>. It does this by adopting auditing standards and procedures that are in line with the fundamental auditing principles outlined in the International Standards for Supreme Audit Institutions. It explains what those standards and methodologies are, as well as how they comply with those standards and methodologies. It indicates the extent of audit operations that they do in order to fulfil their mission, as well as on the basis of the risk assessment and planning techniques that they utilise. It has a conversation with the organisation that is being audited to discuss the criteria they will use to form their conclusions. It maintains communication between the auditing organisation and the entity being audited regarding the audit's objectives, methods, and findings. The audit results are open for comment through the procedures, and the recommendations can be discussed with and comments given by the business being audited. It ought to have follow-up procedures that make it possible for the entity being audited to submit information on corrective measures that were implemented or on the reasons why corrective actions were not done. It needs to create an acceptable quality assurance system over all of its operations.
- v. They should conduct audit activities and reporting and subject such system to periodic Independent assessment.
- vi. Apply High Standards of Integrity and Ethics for Staff of all Levels: Accountability complies with the ISSAI 30, Code of Ethics, which was developed as part of the International Standards of Supreme Audit Institutions. This means that it has ethical rules or codes, as well as policies and practises. Accountability eliminates the potential for

internal conflicts of interest and corruption, as well as guarantees that their operations are conducted in a transparent and lawful manner<sup>7</sup>.

- vii. Inactively Promotes Ethical Behavior Throughout the Organization: Publicly available information specifies the ethical criteria and obligations that must be met by auditors, magistrates (in the model of the Court), civil officials, and other professionals. When they outsource their activities, you must make sure that these values of accountability and transparency are not violated in any way<sup>7</sup>. It should make sure that contracts for tasks that are outsourced do not violate the standards of accountability and openness. The responsibility of accountability extends to the outsourcing of expertise and audit activities to external entities, whether those entities are public or private. Such outsourcing is also subject to the accountability system's ethical policies (particularly those addressing potential conflicts of interest) as well as policies designed to ensure integrity and independence. Manage their operations in a manner that is fiscally responsible, effective, and efficient, as well as compliant with applicable laws and regulations, and report openly on the status of these issues. It is imperative to have competent management in place, which should include the implementation of sufficient internal controls on its operational and financial performance. Audits conducted internally and other types of metrics could fall under this category. It is important that financial statements be made public and that they be audited by an independent third party or that they be reviewed by parliament.

Accountants are required to evaluate and report on their operations as well as their performance in all areas, including but not limited to financial audit, compliance audit, jurisdictional activities, performance audit, programme review, and judgements regarding government activities<sup>7</sup>. The

skills and competences that are required to execute the work that is necessary for accountants to fulfil their goal and meet their duties should be maintained and developed. The total amount of the local government's budget should be made public knowledge, and the government should report on the sources of the local government's financial resources (parliamentary appropriation, general budget, ministry of finances, agencies, and fees) as well as how those resources are used<sup>7,8</sup>. The effectiveness and efficiency with which the finance department uses its resources ought to be measured, and the department should report on its findings. It is also possible for them to utilise audit committees, which are made up of the most independent people possible, in order to assess and provide feedback to the systems that they use for financial management and reporting<sup>7</sup>. It is possible for it to utilise performance indicators in order to evaluate the value of audit work for Parliament, citizens, and other stakeholders in order to track their public visibility, outcomes, and influence through feedback from the outside. Make public their findings and recommendations regarding the general activities of the government based on the audits they've conducted.

If the accountants' judgements and suggestions emanating from the audits are not declared confidential under special laws and regulations, they should be made public<sup>18</sup>. They should report on the follow-up measures taken with respect to their recommendations, as well as report publicly on the overall audit outcomes, such as the government's overall budget implementation, financial condition and operations, and overall financial management progress. They should also report on professional capacity, if it is included in their legal framework. It is important for accountants to build solid relationships with the relevant parliamentary committees in order to assist those committees in better comprehending the audit reports and conclusions and in taking the right actions. Maintain timely and widespread communication about their actions as well as

the outcomes of audits through the use of the media, internet, and other channels. It is important for accountants to have open lines of communication with the media and any other parties that may be interested in their business practises, and audit results should be made public. They should try to pique the interest of the general public and of academics in their most significant findings. In addition to being available in the languages spoken in the country, abstracts of audit reports and court decisions are also available in one of the official languages. Audits must be initiated and carried out, and appropriate reports must be produced in a timely manner. If the audit work and related information presented are not out of date, both transparency and accountability will be improved. They need to make sure that the reports are accessible to the general public and that they can understand them using a variety of methods (e.g. summaries, graphics, video presentations, press releases)<sup>7</sup>.

### **2.1.3 Measures of Accountability in FIRS**

#### **2.1.3.1 Compliance with Rules of Engagement**

Compliance with rules of engagement in terms of accountability in relation to the service (FIRS) not taxpayer. This shows how compliant the Service with her policies. The internal auditors see that the policies are strictly adhered to. Internal audit help in achieving compliance to vision “To deliver quality service to taxpayers, in partnership with other stakeholders and make taxation the pivot of national development”, mission “To operate an efficient and transparent tax system that optimizes tax revenue collection and voluntary compliance”<sup>18</sup>. Thus achieving the core values which are professionalism, integrity, efficiency, ownership and collective responsibility. Internal audit always make sure that key services rendered are without compromise, thereby achieving the Service vision and mission. Some of the services rendered include<sup>18</sup>:

Nowadays, auditing assumes a preponderant role, not only in validating financial information, by assessing compliance with standards and rules and thereby verifying financial execution legality and regularity, according to principle of engagement but also in controlling non-financial information, namely concerning monitoring public sector entities,

- i. Assess persons including companies, enterprises chargeable with tax;
- ii. Assess, collect, account and enforce payment of taxes as may be due to the Government or any of its agencies;
- iii. Collect, recover and pay to the designated account any tax under any provision of this Act or any other enactment or law;
- iv. In collaboration) with the relevant ministries and agencies, review the tax regimes and promote the application of tax revenues to stimulate economic activities and development;
- v. In collaboration with the relevant law enforcement agencies, carry out the examination and investigation with a view to enforcing compliance with the provisions of this Act;
- vi. Make, from time to-time, a determination of the extent of financial loss and such other losses by government arising from tax fraud or evasion and such other losses (or revenue forgone) arising from tax waivers and other related matters;

#### **2.1.3.2 Revenue Remittance**

The FIRS core functions are to assess, collect, remit and account for the Federations taxes. Hence, the internal audit functions is to ensure that the Service (FIRS) rendered all the revenue generated to the appropriate account in a timely and efficiently as designated. The Internal auditors monitors to see that all revenue collected by the Service are remitted to the appropriate

accounts as prescribed by the government of the Federation. In doing so, auditing strengths; trust and prevent corruption and power abuse, thereby improving the function of the Service,(FIRS)

### **2.1.3.2 Revenue Target**

These are targets set by the Service for revenue generation into the federation account. Each zones, states and regions are given a particular target so as to meet the Service proposed targets for the year. For example, the Federal Inland Revenue Service (FIRS) has set a target of at least N12 trillion revenue for the Federation Account in 2023. The FIRS has developed a template for harvesting taxes using technology, bringing in the informal sector into the tax net and appealing to the good conscience of citizens to pay tax. Figure 2.1 shows 2021 statistics of tax targets for different departments in FIRS. It is therefore the duties of the internal audit to make sure this targets are achieved by sending a deadline notification and reminder of the target to the departments.



**Figure 2.1: FIRS Revenue Target for 2021  
2021 Statistics**

<b>Tax Types</b>	<b>2021 Annual Target (N'b)</b>	<b>2021 Quarterly Target (N'b)</b>	<b>2021 Actual Collection (N'b)</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total</b>
<b>Oil Tax</b>								
Petroleum Profits Tax	1,636.83	409.21	327.23	316.91	305.14	1,059.17	2,008.45	
<b>A Sub-Total</b>	1,637.83	409.21	327.23	316.91	305.14	1,059.17	2,008.45	
<b>Non-Oil Tax</b>								
Company Income Tax	1,476.87	369.22	392.65	456.99	472.52	425.84	1,747.99	
Gas Income	511.69	127.92	9.72	34.77			140.10	
Capital Gains Tax	7.26	1.81	0.74	15.55			17.50	
Stamp Duty	12.40	3.10	7.62	10.11	0.49	21.35	33.94	
<b>B Sub-total</b>	2,008.22	502.05	427.48	553.57	480.91	483.16	1,939.53	
<b>Total Federation Account (A+B)</b>	3,646.05	911.26	754.71	873.48	786.05	1,542.33	3,947.58	
<b>Other Non-Oil Taxes</b>								
<b>VAT POOL</b>								
NCS-Import VAT	1,378.76	114.90	99.88	117.13	123.76	126.9	467.67	
Non-Import VAT	459.59	134.59	431.16	395.19	376.73	436.82	1,639.90	
<b>C Sub-total</b>	1,838.35	459.59	531.04	512.25	500.49	563.72	2,072.85	
<b>D EDT</b>	323.29	80.82	11.4	29.17	92.5	56.46	189.54	
<b>E CONSOLIDATED ACCT.</b>	74.75	18.69	22.68	15.69	8.42	14.42	61.20	
<b>F NITDEF</b>	18.84	4.71	0.67	3.98	11.09	3.59	19.31	
<b>G EMTL</b>	500.00	125.00	-	50.66	31.82	29.36	111.84	

<b>H Sub-total Non-Oil (B+C+D+E+F+G)</b>	4,763.44	1,190.86	993.27	1,165.32	1,125.23	1,150.71	4,394.27
<b>I TOTAL (A+H)</b>	6,400.27	1,600.07	1,320.50	1,482.23	1,430.37	2,209.88	6,402.71

Source<sup>19</sup>

#### 2.1.4 Internal Auditing

Auditing has been performed at least since the fifteenth century<sup>19</sup>. The exact origin of audits of financial report is in dispute but it is known that as early as the fifteen century, auditors were called on to ensure the absence of fraud in the records kept by the Steward of Wealthy household estates<sup>19</sup>. In England Stewards were appointed by great land owners to manage their land for them. Today, most business is operated by limited companies, which are owned by their shareholders and manager by direct appointment by the shareholders. Development of auditing has occurred in the last century. Since the shareholders delegate management to the board of directors<sup>20</sup>. The accounts of the company are shown periodically to the shareholders so that they may see the financial position of the company. The shareholders, in order to verify the accuracy and truth of the statement, now appoint auditors who investigate and inform them of the genuineness of the accounts presented by managements. The shareholders are then satisfied that the account presented shows an objective view of the company's operations<sup>19</sup>.

In a scholarly work, it was noted that internal auditing began as a one-man basic function that consisted primarily of performing independence verification of bills before payment over the years<sup>21</sup>. Internal auditing has developed to include the evaluation of the efficiency and effectiveness of all parts of a company's operations, both financial and non-financial<sup>22</sup>. These changes have led to the formation of internal auditing departments, senior management status for

the director, manager of the internal auditors' functions, and reporting responsibilities directly to the board of directors or its audit committee. Internal auditing may be an alternative control technique, and its overall goal is to assist all members of management in the efficient discharge of their responsibilities by providing them with objective analysis, appraisal recommendations, and pertinent comments concerning any aspects of business activities; however, he can be of service to management, and should be involved in such activities as reviewing and appraising the soundness, adequacy, and application of the controls<sup>23</sup>.

Internal auditing as an independent, objective assurance and consulting activity intends to add value and improve an organization's operations<sup>24</sup>. Internal auditing aids an organisation in meeting its goals by employing a systematic and disciplined approach to evaluating and improving the efficacy of risk management, control, and governance systems<sup>25</sup>. The Institute of Internal Auditors (IIA) published the International Professional Practices Framework (IPPF), which includes the definition of internal auditing, a code of ethics, international standards for internal auditing professional practise, position papers, practise advisories, and a practise guide. The IPPF Standard, internal auditing is undertaken in a variety of legal and cultural situations; for organisations of varying purpose, size, complexity, and structure; and by individuals within the company. The standards in the IPPF, in particular, serve as guidelines for internal auditors worldwide in performing internal auditing activities in a professional manner<sup>26</sup>.

The audit consists of checking and certifying the financial statements by an independent expert to provide accuracy of data contained therein and to provide users with the information on principles and accounting presentation of financial statements accurate picture and clear and complete financial position and performance of the company<sup>27</sup>. Internal auditing therefore aims at adding value to the organization by improving the information quality for decision making.

Internal auditing aids in avoiding either the involuntary or intentional leak of information concerning any type of usable secondhand stock, as well as the prevention of income loss due to abuse or errors in operation<sup>28</sup>. Since it is clear that the internal audit department is the security belt of any manufacturing industry, its descriptions which include the independent and objective nature of the internal auditing activities and the professional competency of the internal auditors are pointers of an organization's financial performance<sup>28</sup>.

#### **2.1.4.1 Internal Audit Quality**

Internal audit quality refers to the effectiveness, efficiency, and reliability of internal audit processes and activities in providing accurate and valuable assurance, advice, and insights to an organization's management and stakeholders<sup>29</sup>. Since the beginning of time, organisations have recognised the value of internal auditing as an essential part of their overall internal control systems. The management of an organisation is responsible for putting in place an internal control system, and internal auditing is one component of that system. In a related turn of events, internal auditing is a component of the internal control system that the management of an organisation establishes in order to provide assistance to management and to ensure that employees adhere to specified work procedures<sup>29</sup>. The purpose of internal audit is to measure, analyse, and evaluate the efficiency and effectiveness of other controls established by management in order to ensure smooth administration, cost minimization, capacity utilisation, and maximum benefit derivation<sup>29</sup>. Internal audit measures, analyses, and evaluates the efficiency and effectiveness of other controls established by management. The goals or purposes of an internal audit can help shed more light on their significance. In the sense that it is the responsibility of an internal auditor to review how well the accounting system works and evaluate the effectiveness and efficiency of a variety of operations within the organization<sup>29</sup>.

The purpose of an internal audit is to evaluate a number of the organization's reports to determine how accurate and helpful they are, as well as to make recommendations regarding how the control system can be improved<sup>29</sup>. Additionally, the objective of an internal auditor can be to evaluate the effectiveness of financial and operating controls, confirm compliance with company policies and procedures, safeguard company assets, and verify the accuracy and consistency of an organization's external and internal reports<sup>29</sup>. In addition to this, it is the responsibility of the internal auditor to guard management against violations of principle and omissions of duty. However, the concept of internal audit underwent a paradigm shift when the Institute of Internal Auditors (IIA) defined internal audit as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations<sup>30</sup>. This definition marked the beginning of the modern era of internal auditing. The Institute also says that it can assist a company in reaching its goal by bringing a methodical and disciplined approach to evaluating and improving the efficiency of risk management, control, and governance processes.

Internal audit has become an indispensable management tool for achieving effective control in both public and private organizations<sup>31</sup>. Control mechanisms are systems that are put up to monitor and control, promote, or restrain the various operations of an enterprise in order to ensure that enterprise objectives are accomplished. Internal auditing is a process that members of an organisation use to ensure that they are carrying out their tasks effectively<sup>31</sup>. It is also an independent appraisal role developed within an organisation to review and evaluate management's control system's effectiveness, efficiency, and economy. The aim is to provide management with re-assurance that their internal control systems are adequate for the need of the organization and are operating satisfactorily. It is a component of the internal control system set-up by management of an enterprise to examine, evaluate and report operations of accounting

and other controls<sup>31</sup>. The quality and efficacy of internal audit procedures in practise are required since internal auditors handle a wide range of assignments, not all of which are related to accounting areas of interest to the external auditor<sup>32</sup>.

The legal and regulatory framework, placement of the function and its independence, the existence of audit committees, resources allotted to the function, and the professionalism of internal audit professionals all contribute to the effectiveness of the internal audit function<sup>33</sup>. However, it is a harsh fact that internal audit divisions are rarely effectively supported. They discovered evidence that management ownership is positively associated to the relative size of the Internal Audit Function, which contradicts standard agency theory reasons that anticipate a negative association but is consistent with recent profits management research<sup>33</sup>. Internal audits controls are planned to ensure that appropriate controls over systems and software are in place to ensure that internal controls and internal checks are functioning as designed<sup>34</sup>. Controls audits can have characteristics found into them to guarantee that falsified transaction are frowned upon or made cumbersome, if not impractical to perform<sup>35</sup>. Controls audits provide assurance that controls are in place, but they do not discover fraud or corruption. Internal controls audit goals relay to organization plans, methods and procedures used to achieve the corporate mission, objectives and goals. Internal control also known as management controls include planning, organizing, directing and controlling program operations and the systems put in place to measure, report and monitor program performance<sup>35</sup>.

Internal auditing aids to the activation of public sector entities in order to achieve its objectives<sup>36</sup>. Many factors, such as the independence and efficiency of the IA system, contribute to the activation of the role of IA in organisations. Many factors contribute to improving internal auditing efficiency, some of which are related to auditors, such as independence and objectivity,

and others to senior management, such as giving the necessary support for auditing management so that the task may be carried out efficiently<sup>36</sup>. Because the independence of audit committee members is positively associated to the quality of profits in institutions and corporations, chairmen of boards of departments should not be involved as audit committee members due to the negative influence on performance and profit quality<sup>37</sup>. If internal auditors followed the norms that govern the IA profession, it would contribute favourably to enhancing and standardising performance. Indeed, strengthening audit department independence, regular meetings, and continuing auditor training to keep up with the modernization of international standards that govern audit activities all contribute significantly to improving institutional performance<sup>36</sup>. Internal auditors who follow the norms and procedures that govern the profession of internal auditing, including standards, are one of the most important components in improving performance<sup>38</sup>.

Corporate governance is strongly correlated with internal audit. Internal audit assists boards of directors of institutions in discharging its governance responsibilities, leading to improved performance and the achievement of competition<sup>36</sup>. The structure of well-governance is inextricably tied to the improvement of corporate performance. According to one study, monitoring methods have an impact on financial performance in companies, which strengthens their function in attaining their objectives. Furthermore, their findings revealed that audit committees play a minor role in improving a company's financial performance<sup>39</sup>. The monitoring operations within organisations are linked to company performance. However, this relationship is unreliable, therefore the impact of corporate governance on performance is small and is tied to synchronisation, heterogeneity, and dynamic organisational outcome<sup>39</sup>. Correctly executing corporate governance within institutions helps to improved performance, added value, and

economic and statistical performance. Corporate governance raises the prices of fixed company shares, which contributes to the company's total worth increasing and growing<sup>40</sup>.

The independence of the members in charge of auditing in institutions, as well as the frequency of their meetings on a regular basis, have a good impact on the performance of institutions and increasing their outputs<sup>41</sup>. If audit committees are too large, it will lead to a loss of enthusiasm in the task and a lack of cooperation among the auditors. Having the proper number of members (audit committee size) in the internal audit department benefits both suitably and significantly in getting various forms of knowledge, opinions, and suggestions that are useful in various institutional investments in a way that benefits institutions<sup>41</sup>. The size of the audit committees is positively correlated with the financial performance of companies because the large larger audit committees may undeniably include some members who exhibit various professional experiences (accounting, and finance), which may assist in resolving problems and facing the challenges and difficulties faced by companies, and thus improving organisation performance<sup>36</sup>. If the auditors (audit committees) are too large, there will be less interest in the task and less cooperation among the auditors to make effective conclusions. As a result, their expertise and skills go unused<sup>42</sup>. Authority systems are important in both positive and negative IA. In contrast to a monarchy system, democratic regimes encourage IA independence, which helps to improved performance<sup>36</sup>.

#### **2.1.4.2 Internal Auditing Method**

Internal auditing was a method of providing an organisation with independent and objective assurance, as well as consulting services, with the goal of adding value to and improving the organization's operations<sup>43</sup>. It does this by bringing a methodical, disciplined approach to the



evaluation and improvement of the efficacy of risk management, control, and governance processes. This assists an organisation in accomplishing the goals it has set for itself. Internal auditing acts as a catalyst for improving an organization's effectiveness and efficiency by providing insights and recommendations based on analyses and assessments of data and business processes<sup>44</sup>. This allows for the organisation to improve its effectiveness and efficiency over time. Internal auditing offers governing bodies and senior management value as an objective source of independent advice when it is conducted with a commitment to upholding high standards of integrity and accountability.

Organizations will hire trained professionals who are known as internal auditors in order to carry out the activity of conducting internal audits. A broad range of topics may fall under the purview of an organization's internal auditing, including but not limited to: the effectiveness of operations; the dependability of financial reporting; the prevention of and investigation into fraud; the protection of assets; and compliance with laws and regulations. Measurement of whether or not an organization's policies and procedures are followed is a common component of internal auditing. However, internal auditors are not responsible for the execution of company activities; rather, they advise management and the Board of Directors (or another oversight body of a similar nature) regarding how to better execute their responsibilities<sup>46</sup>. Internal auditors can come from a wide range of educational and professional backgrounds due to the diverse range of responsibilities that fall under their purview. Internal auditing is responsible for the auditing of all financial transactions.

This is done by conducting a continuous examination of all accounting books and records that are kept in the organisation. The purpose of this examination is to check for or detect fraud and to make corrections to errors<sup>47</sup>. It is concerned with the examination of the system and procedure

in place so as to ensure their conformity with the regulation, as the case may be, that the system of internal control is adequate and that it is continuously operating in accordance with government regulations. Also, that the system of internal control is adequate and that it is continuously operating in accordance with government regulations. It is the responsibility of the internal auditor to ensure that all financial transactions are carried out in accordance with the regulations that have been authorised and that an adequate security system is in place within the organisation. It was expected that internal audit would operate autonomously while also being directly accountable to the chief executive. In order for the unit to be able to effectively carry out its functions, it should be properly organised, have an adequate number of staff members, and be equipped<sup>47</sup>. These should include a periodic surprise cash survey in all sections of the ministry or parastatals or local government, checking of revenue collectors' cash books, receipt books, and bank tellers, as well as inventory verification of the store and the maintenance of plant registers and ledgers for the purpose of easily locating and identifying the assets of the organisation<sup>47</sup>.

Audit procedures are steps or tests that create conclusive evidence regarding the competence, existence, disclosure, right, or valuation of assets and or accounts on the financial statement<sup>48</sup>. There are different types of assets and accounts that can be audited. In order for a procedure to be considered substantive, sufficient documentation must be collected<sup>48</sup>. This documentation must be sufficient such that another competent auditor could perform the same procedure on the same document and arrive at the same conclusion. Auditors collect audit evidence through the use of one or more of the following procedures: inspection, observation, enquiry and confirmation, computational, and analytical procedures<sup>49</sup>. The selection of such procedures is partially determined by the lengths of time during which the audit evidence that is being sought is available as well as the format in which the accounting records are being kept. When it comes to

the provision of social services to the populace, the services that may be rendered include the following:

- i. **Recalculation and Performance:** Checking additions and computations is what's involved in recalculating, while re-performing a process means adhering to the steps that a customer takes<sup>7</sup>. As a result, it is necessary to ensure that the funds that have been received are utilised accurately and to go through the documents that have been prepared to ensure that they are accurate. The auditor will always perform a recalculation on the figures that are included in the Financial Statements, and this is true even when the internal procedures are very good. The work is required to provide an answer to all of the claims that are made by each material figure. For example, valuation, completeness, existence etc. These tests are more substantive in nature and are made up of analytical procedures<sup>7</sup>. Infrastructure development, accountability to the people whom elected officials have sworn to serve, and a commitment to maximising citizen participation are among the most important aspects of good local governance. The internal auditor needs to use the appropriate internal audit procedures, such as an inspection of tendering documents in the case of contracts, observation to check whether the mentioned infrastructure actually exists, recalculation and performance to confirm the balances in the financial statements, and so on. For instance, road construction should be inspected so that a comparison can be made between the performance that was planned and that which actually occurred, as detailed in the tendering documents. Because of this, contractors would be required to adhere to the standards, which would result in improved service delivery.
- ii. **Enquiry and Confirmation:** Ask the person in charge of the accounts, for instance, how the funds are managed, how they are dispersed, and how frequently their use is monitored.

iii. Ask the person in charge of the funds about the way in which they are controlled. The auditor is required to design and carry out substantive procedures for each account's class of transactions, account balance, and disclosure, regardless of the risks that have been assessed regarding the possibility of financial misstatement<sup>7</sup>. Inquiry is the process of seeking information from knowledgeable people, either within or outside of the entity being investigated. Inquiries can take a variety of forms, including formal written enquiries addressed to third parties and informal oral enquiries addressed to persons working within the entity<sup>7</sup>. Auditors may obtain information they did not previously have access to or corroborative audit evidence by responding to inquiries with the appropriate information. The response to an inquiry that is intended to corroborate information that is contained in the accounting records is what constitutes confirmation. Auditors may, for instance, seek direct confirmation of debts by communicating with debtors in order to gather that information.

iii. Inspection: It is necessary to perform an audit on the flow of financial resources and accountability, such as reviewing the references to the accounts or the notes the accounts controller has taken during conversations. The auditor is responsible for determining whether or not procedures related to external fund spending are to be performed as substantive audit procedures. Procedures of substance that are associated with the process of closing the Financial Statement. The majority of people who live in developing and transitional countries have their health and nutritional status determined by whether or not they are poor. This is the case for both physical and mental health. If one has the financial means to do so, it is possible to obtain adequate nutrition and lead a reasonably healthy life in the vast majority of developing and transitioning countries today<sup>8</sup>. The reliability of the audit evidence obtained through the inspection of records and documents varies according to

the records' nature and source, as well as the efficiency of the internal controls that are in place to oversee their processing<sup>9</sup>.

The results of an organization's internal audit can give a reasonable level of assurance, but not an absolute one, that the organization's goals will be accomplished. The idea of something being reasonable suggests that a high degree of assurance is present, with that degree of assurance being limited by the costs and benefits of establishing incremental control procedures<sup>51</sup>. When an organisation has strong internal controls, it ensures that its financial reporting is accurate and that it complies, at least to some extent, with the laws and regulations that are relevant to its industry. However, whether or not the organisation is successful in achieving its operational and strategic goals may depend on factors that are external to the enterprise, such as the level of technological advancement and the level of competition<sup>51</sup>. Because these factors are not within the purview of the internal audit, an effective internal control system can only provide timely information or feedback on the organization's progress toward the achievement of operational and strategic objectives, but it cannot guarantee that these objectives will be met <sup>51</sup>.

Professionalism requires constant self-improvement in the form of categorical value addition, which is necessary to meet the demanding and intricate demands of dynamic organisations. Internal auditing, on the other hand, was characterised as the epitome of professionalism in public financial management<sup>52</sup>. The section experiences a variety of challenges, including but not limited to fewer professional workers, insufficient staffing, restricted independence, and reduced funding. As a result, its authority to access all of the books of accounts is restricted, compliance with the applicable financial regulations is rendered insufficient, and the risk management that is extended to the council is reduced<sup>52</sup>. It is common practise for politicians to try to sway the actions and choices made by civil servants, thereby denying those individuals their

constitutionally protected right to independence. Moreover, It was espoused in a study that “there were two basic conceptions of internal auditing: the traditional and the modern. The traditional conception of internal auditing views accounting as its true discipline, accounting control as its true concern and the board's audit committee as its true client<sup>52</sup>. The modern conception of internal auditing does not reject the substance of the traditional conception, but seeks to extend it beyond its narrow confines. Modern internal auditing claims an unlimited scope, reserves the freedom to borrow from many disciplines and recognizes senior management as additional clients more or less distinct from the board's audit committee”<sup>52</sup>. While some of the audit techniques underlying internal auditing are borrowed from the management consulting and public accounting professions, the notion of internal auditing was originally conceived by Lawrence Sawyer, dubbed "the father of contemporary internal auditing"<sup>53</sup>.

In another study, it was recorded that “internal auditing is a management-oriented discipline that has evolved rapidly since the Second World War<sup>54</sup>. Once largely concerned with financial and accounting issues, internal auditing now reports the entire range of operating activities and performs a correspondingly wide variety of assurance and consulting services. The development of internal auditing was fostered by the increased size and decentralization of organizations, the greater complexity and technological sophistication of their operations, and the resulting need for an independent, objective means of evaluating and improving their risk management, control and governance processes”<sup>56</sup>.

The IIA defined internal auditing as follows: Internal auditing is an independent, objective assurance and consulting activity that adds value and improves the operations of a company. It assists a company in achieving its goals by bringing a systematic, disciplined approach to evaluating and improving the efficacy of risk management, control, and governance systems.

This concept contains several common features, most notably assurance, risk, and control. Internal auditing techniques were examined, as well as their impact on the quality of internal control<sup>56</sup>. They summarized the services performed by the internal audit to cover four areas:

- i. Review of adequacy and effectiveness of the control systems (accounting, financial, operational);
- ii. Ascertain the compliance to policies, rules and regulations which could impact significantly on the business operations;
- iii. Review the means of safeguarding the company's assets including efficiency and economy of resources employed; and
- iv. Review operations or programs to determine that the results are as established by management<sup>57</sup>.

### **2.1.5 Internal Audit Independence**

Internal audit independence refers to the ability of an internal audit function to perform its responsibilities objectively and impartially, free from any undue influence or interference that could compromise the integrity of its assessments. Independence is a fundamental principle in internal auditing and is crucial for ensuring that audit activities are conducted with an unbiased and objective perspective. Internal audit functions should operate independently within the organization, reporting directly to the highest level of management, such as the board of directors or an audit committee. This independence helps ensure that audit findings and recommendations are communicated without fear of reprisal or undue influence. Also, internal auditors must maintain an unbiased and impartial mindset throughout the audit process. This involves

approaching audits with a focus on facts and evidence, avoiding conflicts of interest, and providing fair and objective assessments.

Internal auditors should not be subject to pressure or interference from management when conducting their work. This freedom enables auditors to address risks and issues objectively, even when their findings may be uncomfortable or challenging for the organization. Independence of auditors enhances the credibility of internal audit findings and recommendations. Stakeholders, including management, board members, and external parties, are more likely to trust and act upon audit results when they believe the internal audit function operates independently. Internal auditors are expected to adhere to professional standards and a code of ethics that emphasizes independence. These standards, such as those set by the Institute of Internal Auditors (IIA), guide auditors in maintaining objectivity and avoiding situations that could compromise independence. Internal audit reports should transparently communicate the findings and recommendations without undue influence or bias. Clarity in reporting contributes to the perceived independence of the internal audit function.

Maintaining internal audit independence is essential for the credibility and effectiveness of the internal audit process. It ensures that the function can fulfill its role as a valuable and objective assurance provider, assisting the organization in achieving its objectives and managing risks. It was opined in a study that, “independence is the core of auditing. This entails that; an internal auditor ought to be independent of both the personnel and operational activities of an organization<sup>58</sup>. Otherwise, the veracity of auditor’s opinions, conclusions and pragmatic recommendations would be suspect. This means that independence is very critical and essential for the effective accomplishment of the function and objective of internal audit. This



independence is basically obtained mainly from two features organizational status and objectivity<sup>59</sup>.

Internal audit practices in organization/institution must be objective and impartial, explaining that it should perform its activity free of doubts and interference<sup>60</sup>. Internal audit team members are not permitted to participate in the selection and implementation of internal control systems in financial management in the organization/institution. Professional competence, as well as internal motivation and methodical ongoing professional development of each internal auditor, are critical components in the effective and efficient implementation of every organization's internal audit department or unit<sup>60</sup>. It is also instructive to involve individual auditors in the framework of the department, so that the routine performance of work activities is avoided. The professional competences of the department staff must always be ensured by ensuring that staff attends continue professional development programs<sup>60</sup>. The internal audit department reports to the institution's management and board of directors, as well as maybe the audit committee. These units or organs of the company or institution should be kept up to date on the audit plan's progress and the performance of the internal audit department or unit's objectives.

A scholar observed that, internal auditors like external auditors, hold independence as a goal<sup>61</sup>. Yet another study notably explained that an internal auditor can only be as effective as the management want him to be. However, if an internal auditor has to effectively perform his duties, he should be independent of the activities that he audits. In the caseli of a company, he should submit periodic reports to the board or to the audit committee highlighting significant audit finding<sup>62</sup>. In summary, the concept of audit and the concept of independence are the turn bodies of the same coin<sup>63</sup>. An independent auditor should be in a better position to produce objective and reliable reports opinions upon which the users of such reports make their decisions.

## 2.1.6 Internal Audit Competencies

### 2.1.6.1 Competence

Competence is the sum total of attributes drawn from education and professional qualifications and the guidelines given by the international standards of accounting and auditing in order to perform an audit task. Competency in a book of study is defined as having the intelligence, education and training to be able to add value through performance<sup>64</sup>.

Competency is described as an individual's ability to perform a job or task correctly using a set of prescribed knowledge, skills, and behaviour<sup>65</sup>. The standard defines ten key competencies measure for internal auditors for each job level. Some of the competencies include professional ethics, internal audit management, understanding of governance, risk and control appropriate to the organization, application of International Professional Practices Framework and internal audit delivery. Yet another study revealed that the main challenges facing internal auditors were the widening technical skills gap, corruption and lack of authority<sup>65</sup>. A research suggested that a bigger investment in the internal audit function could result in hiring or training internal auditors with greater competencies and were more likely to have a positive organizational impact<sup>66</sup>. Findings from a study revealed that qualified internal audit personnel improve firm performance because they have a clear insight about how to deal with operations<sup>67</sup>.

One of the core competencies of internal auditors is an understanding of both the financial and operational aspects of the company<sup>68</sup>. Both internal and external auditors concerned with costs and quality work together throughout the year<sup>69</sup>. Coordination was noted to maximize the effectiveness of the internal auditors' contribution and increase their overall efficiency. The standards encourage both the internal and external auditors to coordinate their efforts in

completing the financial statements audit. In a study it was argued that internal auditor selection could be based on two groups of skills, cognitive skills (technical skills and analytical skills), and behavioral skills (interpersonal skills and organizational skills)<sup>70</sup>.

Internal auditors are required to be competent professionals. They must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities<sup>71</sup>. It was identified in a scholarly work that level of experience among internal auditors as an indicator of the quality of internal audit<sup>71</sup>. It is argued that skilled and qualified internal auditors are indicative of internal audit quality<sup>72</sup>. In a research on the effect of internal audit function on SACCOs found that lack of adequate understanding coupled with low level of knowledge on auditing operations poses a major threat to the achievement of performance in the IAF and the organization as a whole<sup>73</sup>. A study notes that a professional internal audit activity will supplement senior management's actions, by providing independent and objective assurance on the effectiveness of the organization's governance processes, how well it manages all kinds of risks, and whether internal control processes are operating, as required, to manage risks to an acceptable level<sup>74</sup>.

#### **2.1.6.2 Internal Auditor Competencies in Risk Assessment**

Risk assessment involves a dynamic and iterative process for identifying and analyzing risks to achieve the company's objectives and using that information to decide how to respond to the risks<sup>75</sup>. Internal auditors play an important role in risk assessment. Risk assessment and internal control monitoring plan should be designed to provide management with reasonable assurance that controls are operating as expected. The plan should also be used to determine internal control modifications needed by considering events that have occurred, processes or procedures

that have changed new projects or programs that are being planned or implemented, and other changes within the company that may have additional risks. A study noted that, the nature of internal audit activity includes risk assessment, control assurance and compliance work, all of which enhances organization performance. An internal auditor's competence enables them to assess the risk of fraud and how the firm manages it. They are expected to understand critical information technology risks and controls, as well as accessible technology-based audit approaches, to accomplish their assigned work<sup>76</sup>.

A thesis work conducted on studies of Belgian and US companies observed that the internal auditors play a very important function in enhancing the risk assessment of the organizations and internal control practices<sup>77</sup>. Internal auditor competence is key in evaluation of controls or risk assessment of the organization as this helps in arresting financial problems in the organization. One key area is in the evaluation of the elements of the financial statements<sup>77</sup>. The internal auditor should have the accounting knowledge to interpret and question the entries in different ledgers of the company trial balance. In their exploratory study of the internal auditors' experience and qualifications and firm performance of Malaysian companies found there is a significant relationship between the internal audit quality and organization performance<sup>78</sup>.

Findings from a research conducted on internal auditors in large Italian companies contribute to the risk management process<sup>79</sup>. CAEs reported that the annual work plan focuses on the examination of a limited number of issues, primarily selected based on risk prioritisation, in a group of studies on the roles and responsibilities of the internal audit function and the factors perceived to be necessary to ensure its effectiveness in Australia<sup>71</sup>. Limited references were made in the interviews to the IAF's role in the financial statement audit or purely financial auditing. Participants from all enterprises stressed the IAF's importance in compliance, particularly

operational risk audits. All CAE participants reported that they have full and free access to all areas within the organization to perform the audit activities such as testing of internal controls, compliance work and evaluating risk management processes. According to CAEs, the IAF's work concentrates around IT, business factors including operational and compliance challenges, with a focus on risk management activities. The relationship between the independence and objectivity of the internal audit function and earnings per share (EPS) demonstrates that internal auditors are involved in enterprise risk management; however, there is a loss of perceived objectivity among internal auditors, which could affect profitability.

### **2.1.6.3 Professional Competency of Internal Auditors**

Internal auditors' professional competency (PC) is critical in fostering good governance and guaranteeing effective resource utilisation in the manufacturing industry. Internal auditor competency is enhanced by assuring internal auditor independence, experience, honesty, and dedication in carrying out their duties efficiently. Being professionally incompetent and failing to exercise due care in the performance of one's duties is considered inappropriate upon; auditors therefore must maintain a strong knowledge and skills at the level to make sure clients and business owners receive diligent services and act in accordance with professional and accounting standards<sup>80</sup>.

Experience is also an important instrument for improving auditor knowledge. Years of experience serve as indicators of an auditor's knowledge and expertise. Internal auditors must consequently possess a diverse set of skills in order to operate satisfactorily in the various hierarchical positions within internal audit departments<sup>80</sup>. Proficiency, also known as Competence, necessitates knowledge and professionalism gained through education, on-the-job training, and

experience; this has an impact on the financial performance of industrial businesses, either positively or negatively<sup>80</sup>.

#### **2.1.6.4 Internal Audit Competencies in Fraud Detection**

Internal auditors play an important role in fraud detection as many frauds are identified by the internal audit function<sup>81</sup>. Findings in literature reveal that organizations with competent internal audit staff were more likely than those without to detect and report occurrences of fraud. The study also stated that the quantity and amount of errors requiring correction by external auditors were significantly fewer for firms with a competent internal audit staff. Although it is not the internal auditor's responsibility to discover fraud, he or she should be knowledgeable enough to comprehend the organization's processes, which will aid in fraud detection and the audit tests to be performed<sup>82</sup>.

In a related study of the relationship between risks based auditing and financial performance observed that the internal auditing staffing should be enhanced to allow timely detection of fraud risks and concentrate on high-risk areas, which would increase transparency and accountability, hence enhancing financial performance<sup>83</sup>. Since internal auditors have in-depth knowledge of most aspects of a company's operations, they could be highly effective in detecting fraudulent financial reporting. Internal auditors play a vital role in preventing fraudulent financial reporting and reducing the significant costs associated with such activities<sup>84</sup>. According to the literature, the efficiency of internal auditing is determined by the internal audit team's qualities, audit processes, and organisational structure<sup>84</sup>.

Another studies further showed that internal auditors consideration of fraud to explain fluctuations in receivables is affected by firms specific characteristics, including inherent risk and

control risk. In the same work demonstrated that internal auditors were sensitive to factors that may lead to fraudulent financial reporting. When they encounter such factors, internal auditors may be more likely to design tests to search for fraud, which in turn can increase the likelihood of detection<sup>85</sup>. In a study of fraud in companies, that the existence of an internal audit department was less common among fraud companies than non-fraud ones<sup>86</sup>.

In a study on challenges faced in professionalizing the internal audit function in industrial and Allied companies in Kenya noted where senior management had no regard to the role of the internal audit there was incompetency and lack of performance in the IAF<sup>87</sup>. It is said in a work that the effectiveness of an internal auditor is determined by the capacity to acquire sufficient and relevant audit evidence in order to provide a reasonable opinion on the financial statement's compliance with generally accepted accounting principles<sup>87</sup>.

#### **2.1.6.5 Internal Audit Competencies in Evaluation of Controls**

An effective internal control system is indicated by an adequate assessment of earnings quality and reliable financial results<sup>88</sup>. A strong internal control system is an indication of operational efficiency in the firm, which is key contributor of good financial performance. Internal auditors have a responsibility to provide independent assurance about effectiveness of internal controls to the board and top management and provide advice on internal controls to the board and top management<sup>89</sup>. Effective internal controls prevent incidences of fraud, embezzlement, and cash mismanagement, hence increasing the company's earnings.

Information on the strength and weaknesses of the control system, recommendations for improvements, are communicated in informal and formal internal audit reports. Any internal control deficiencies deemed to be material weaknesses would result in the company publicly

providing an adverse conclusion on the internal control framework<sup>90</sup>. Adverse conclusions on the strength of the internal control system have significant consequences for companies, including less favorable lending decisions stock market reactions and increased costs of equity<sup>91,92</sup>.

In a research conducted in Malaysia, it was found out that internal auditors' professional proficiency significantly affects the monitoring aspect of the internal control system<sup>93</sup>. In a research on a sample of (59) Tunisian companies, found that the internal control quality is significantly and positively associated with IAF competence, internal audit quality control assurance level, follow-up process and audit committee's involvement in reviewing the internal audit program and results. Professional bodies consider that the IAF attributes and activities tend to enhance the internal control system quality. Scholars have posited that CAE reporting relationship to the audit committee is associated with reductions in audit report lag by helping senior management maintain a strong system of internal control over financial reporting. They found that the negative relation between IAF quality and audit delay is driven by the competence of internal audit staff<sup>94</sup>. They added that internal auditors' higher technical competence could enhance IAF effectiveness and reduce the likelihood of severe internal control deficiencies. A study on the internal audit function and the financial performance of the NSSF in Uganda discovered that the internal audit function had a considerable beneficial effect on performance in control environment evaluation, risk assessment, monitoring, and advisory<sup>95</sup>.

A study conducted to determine the association between internal control systems and financial performance in Kenyan Technical Training Institutions discovered that management is devoted to monitoring and supervising internal controls in the institutions. All of the institutions' actions were launched by top-level management, and the internal audit departments were ineffective, understaffed, and had few reports to address system vulnerabilities.



### 2.1.7 Organizational Independence

Internal auditors are tasked with protecting their employer's best interests, but they may be hesitant to challenge management, irrespective of the consequences<sup>96</sup>. Organizational independence is more important for internal auditors' performance since it protects the auditor from coercion or intimidation and promotes the objectivity of the auditing activity. Management control mechanisms are also put in place to meet control and compliance requirements. The internal audit function, which is employed by the board and management to fulfil tasks in accordance with social expectations, is an important component of the management control system<sup>97</sup>.

Management has strong influence in setting the overall tone for governance. Senior management influence the operations, board of directors and the internal audit function<sup>98</sup>. Findings have revealed that management requires the internal audit function to take on an extended role to compensate for loss of control resulting from increased organizational complexity<sup>99</sup>. Yet another has noted that most senior management expect internal auditors to work for them and reporting to the audit committee is viewed as a formality to satisfy corporate governance requirements<sup>99</sup>. The quandary stems from the idea that the internal audit function must give value to management while also not becoming its servant and faithfully reporting on the status to the board<sup>100</sup>.

It has been argued that the main purpose of the internal auditor is objectivity, which could only be achieved if the internal audit function is appropriately positioned in the organizational structure. He further suggested that the internal audit function should be free to determine its audit scope free from interference<sup>101</sup>. It has been affirmed that internal audit function independence is enhanced by positioning in a way that they are able to operate on strategic

issues<sup>102</sup>. An observation has also been made on the interaction and relationship between senior management and internal auditors and the internal audit function is both important and complex<sup>103</sup>. Senior management has an influence on the resources allocated to the internal audit function, which may critically affect the internal audit plan, and the functions<sup>104</sup>.

It was noted in a study that the internal audit function is employed in the organization to ensure accountability and there are no material misstatements in the financial statements<sup>105</sup>. They further suggested that the audit function should remain autonomous in the organization structure. This means there is indirect ability of management to influence the career prospects of internal auditors, as well as the budget and planning of the internal audit function<sup>106</sup>. Another observed that internal audits done in a close environment with senior management were at a risk of lack of independence from the management influence. She further suggested that the internal auditors must be careful to avoid conflict of interest of their managers and their profession<sup>107</sup>.

A study of the role of internal audit in corporate governance and management in Australia using both an on-line survey and in-depth interviews of CAEs. They discovered that the majority of CAEs had audit committee reporting obligations, and that 22% of participants simply reported to management<sup>108</sup>. Furthermore, a study on the effect of internal audit independence on corporate governance in Kenyan commercial banks discovered that there is a threat to internal audit independence because the CEOs of some of the banks have a say in the internal audit budget, recruitment, termination, and CAE remuneration<sup>109</sup>.

Another study found out that the management influence on the internal auditors' work affects their objectivity in reporting and may result in improper revenue recognition, overstated purchase costs of assets and other cash impropriety which affects the organization's overview<sup>110</sup>.

While yet another study identified a number of threats to the objectivity of the internal auditors<sup>111</sup>. One of them being economic interest, resulting from incentive payments or from auditing the work of someone who has the power to affect the internal auditor's employment or salary<sup>112</sup>.

### **2.1.8 Role of Audit Committee and Accountability**

Audit committees (AC) influence accountability through its independence, composition and expertise in review of the quality of the financial statements of the company. The Chartered Institute of Internal auditor's board audit committee should manage the internal audit function in ways that preserve and enhance internal audit's independence and objectivity<sup>113</sup>. A fully functional audit committee should have a greater likelihood of detecting problems in the organization than a dormant one<sup>114</sup>. They went on to say that a board with financial and accounting knowledge would unlock the company's earnings. Financial reporting irregularities and commercial failures at businesses such as Enron, WorldCom, and Adelphia have raised attention on audit committees of corporate boards of directors. This occurred with the collapse of the enterprises, which were based on shaky financial foundations and dishonest financial reporting, with employees and investors losing retirement savings and investments, and the resultant bankruptcy<sup>115</sup>.

### **2.1.9 Composition of the Audit Committees**

Best practices suggest that the audit committee should include at least three members to provide the necessary expertise for the oversight function<sup>116</sup>. Persons who are not part of the executive board of the company form audit committees. The audit committee is a group of people made up of the company's non-executive directors. According to CBK Guidelines, the audit committee

shall consist of only non-executive directors, with at least three members chaired by an independent director and one member having accounting expertise or experience in the field of finance and being a member of the Institute of Certified Public Accountants of Kenya (ICPAK)<sup>116</sup>. The guidelines further note that the committee is tasked with independent evaluation of the financial reporting, ensure adequate internal controls and to recommend timely appropriate action. The audit committee is expected to continuously review of the corporation's financial data, ensure appropriate accounting policies, and promote high quality and timely financial statements<sup>117</sup>.

Companies that had suspicious external auditor swaps had fewer audit committee members with experience in accounting, auditing, or finance than their non-switching peers<sup>118</sup>. The size of the audit committee and the resources allocated to the IAF would oversee financial reporting and internal control systems within a firm hence high performance<sup>119</sup>. They further indicated that companies with smaller board could give the CEO a better-disciplined approach in case of poor performance and was associated with higher market valuation.. They found a negative effect on the audit committee meetings where the members had multiple directorships, audit committee independence and an independent audit committee chair<sup>119</sup>. They discovered a link between increased risk of financial misreporting and audit committee size, institutional and management ownership, financial knowledge, and board independence. This meant that the number of AC members and meetings influenced the firm's success<sup>119</sup>.

Gender diversity in the audit committees was associated with financial performance, reduction in the inherent risk, increased positive reaction from investors, and the business profitability<sup>120,121</sup>. The authors suggested that women were less likely to have attendance problems, and this encouraged the male directors to attend the meetings<sup>122</sup>. A study further added that increasing

membership of female directors in the audit committee positively enhanced corporate reputation and therefore high firm performance<sup>123</sup>.

#### **2.1.10 Internal Audit Report**

On completion of the audit in an organizational unit, the internal auditors draft a report. This report should contain recommendations on specific steps for operational personnel to implement better controls, prevent errors and improve profits<sup>124</sup>. The report should also include rotation of major changes in operations implemented. This draft report is then forwarded to the audit of the company's board of directors, or to the members of top management in direct control of internal audit<sup>124</sup>. Management or managers and employees of the unit then meet and discuss the deficiencies reported by the internal auditors and take corrective actions. After submitting their final report, the internal auditors may later reinvestigate the affected units and determine the nature and efficiency of corrective actions undertaken by the units, management and employees<sup>124</sup>. The reporting stage is the internal auditor's responsibility to capture managements and individual attention. To be effective, a report cannot be unduly long, tedious, technical or laden with minutes. It must be accurate, concise, clear and timely. Unlike external audit reports, internal audit reports are usually considered 'open' with a formal written reply to the recommended audited unit or department. This reply which would also go to the same people as the audit report, so as the audit committee would indicate recommendations to be implemented which were considered not necessary. Only after the written response is received, is the audit considered close<sup>124</sup>.

#### **2.1.11 Internal Control**

Internal control is a process that ensures an organization's operational effectiveness and efficiency, trustworthy financial reporting, and compliance with laws, rules, and policies<sup>125</sup>. Internal control is a wide notion that encompasses anything that regulates hazards to an organisation. It is a method of directing, monitoring, and measuring an organization's resources. It is critical in detecting and preventing fraud as well as protecting the organization's physical (e.g., machinery and property) and intangible resources (e.g., reputation or intellectual property such as trademarks)<sup>125</sup>.

At the organizational level, internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations<sup>126</sup>. Internal controls refer to the measures done to achieve a given goal (e.g., how to verify the organization's payments to third parties are for valid services performed). Internal control systems reduce process variability, resulting in more predictable results<sup>126</sup>. Internal control is a significant component of the Foreign Corrupt Practices Act (FCPA) and the Sarbanes-Oxley Act, both of which demanded improvements in internal control in publicly traded companies in the United States. Internal controls within businesses are also known as operational controls. The primary controls in place are referred to as "key financial controls" at times (KFCs)<sup>127</sup>.

The Committee of Sponsoring Organizations (COSO) was formed to serve as the national commission on false reporting's sponsor<sup>128</sup>. Today, the committee provides and produces assistance on the installation of internal control systems for businesses all around the world. The COSO framework identifies five internal control components that enable adequate controls in any firm<sup>129</sup>. These five framework components are useful in reviewing an organization's internal control systems<sup>129</sup>. These components are as follows:

### **2.1.11.1 Control Environment**

First and foremost, the COSO framework defines a company's control environment as the most critical component of its internal control systems<sup>129</sup>. A company's control environment outlines its culture and ethics, which provide the framework for it to function efficiently. While the control environment refers to the total organisation, it mostly pertains to the company's senior management's actions in executing the controls in place.

The control environment is related to management's style and delegation of authority, staff organisation, and dedication to internal control policies<sup>129</sup>. The more the importance that management places on a company's internal controls and procedures, the more probable it is that lower-level employees will likewise apply them. Even the most well-thought-out processes and procedures will fail in the absence of a robust control environment<sup>129</sup>.

### **2.1.11.2 Risk Assessment**

Following the construction of the control environment, the next step is to assess a company's risks<sup>130</sup>. When a corporation evaluates its risks, it knows how these risks connect to its objectives. As a result, it can identify and implement controls to mitigate these risks. However, the risks for any organisation vary depending on a variety of criteria such as its nature, objectives, industry, and so on. As a result, understanding these elements is crucial when assessing the risks of a specific organisation.

The purpose of the risk assessment process is to identify internal and external hazards that the firm faces as a result of its operations<sup>130</sup>. When it comes to risk assessment, both internal and external elements must be considered. External issues, on the other hand, may necessitate greater

investigation because they are beyond the company's control. Similarly, companies can select how to deal with hazards based on whether they are controlled or not<sup>130</sup>.

### **2.1.11.3 Control Activities**

Control activities are the next component of the COSO framework. Control activities encompass all of the processes or procedures that businesses use to mitigate recognised risks<sup>131</sup>. Companies might conduct various control activities depending on the type of risk. Control activities that are often employed include authorizations, approvals, reviews, physical and digital security measures, verifications, reconciliations, segregation of roles, management, organisation, and so on<sup>131</sup>.

### **2.1.11.4 Information and Communication**

The COSO internal control framework's next component is information and communication. It refers to the flow of information about control operations to the appropriate authorities or individuals so that those actions can be carried out<sup>132</sup>. Control activity implementation, like the control environment, is dependent on communication with personnel. Control activities are pointless in the absence of communication<sup>132</sup>. The quality of a company's information systems also plays a role in this component. A corporation, for example, should have proper and well-defined communication channels through which management can convey messages. Similarly, the system should offer managers with regular updates so that they may be implemented as soon as possible. This data should include both external and internal aspects. The level of information will differ for each level of management. As a result, adequate channels should be established<sup>132</sup>.

### **2.1.11.5 Monitoring**



While the four components listed above almost fulfil the objectives of a system's internal controls process, they are not comprehensive. Companies should have mechanisms in place to monitor control actions once they have implemented them and communicated them to management<sup>133</sup>. As a result, every organisation should have a frequent evaluating and monitoring process<sup>133</sup>. Monitoring can also assist businesses in identifying and correcting flaws in their control efforts.

Adapting the COSO framework will help a corporation in a variety of ways, especially with internal control systems. The introduction of a universal framework by the COSO control model has extended management's grasp of internal control concepts. Because of this, the use of COSO can be customised to any organisation due to its universal nature<sup>135</sup>.

As a result, the COSO is widely used across the world and has been embraced by a variety of organizations<sup>135</sup>. Understanding the internal control system will assist management in describing the right decision-making process and building an organization's control environment<sup>133</sup>. Internal control serves to mitigate risk in an organization, demonstrating the value of having effective internal controls. In comparison to their counterparts in private organizations, fewer studies on internal control have been conducted in public or governmental organizations, possibly due to limited publicly available information and the difficulty in convincing public managers of the research value in their organizations<sup>134</sup>. Internal control in the public sector is significantly more important since it assures and soothes the public by ensuring that government operations can fulfill their essential tasks in providing services for the public.

#### **2.1.12 Benefits of Internal Controls**

Risk management executives recognize the importance of internal controls when applying these principles to their business environment<sup>136</sup>. The concepts in the COSO internal control framework improve the organization's performance and sustainability. Many advantages can be gained by implementing strong internal controls and an unified framework, including<sup>135</sup>:

- i. alignment of the organization's IT and data efforts with its governance policies;
- ii. improvement of the quality, utility, reliability, and comparability of data;
- iii. deliver decision-making data to internal management, external investors, resource providers, and other interested parties;
- iv. strengthen the organization's understanding of its material risks and mitigating opportunities;
- v. support transparency and efficiency required for public companies;
- vi. make capital more accessible, particularly to long-term investors, at a much lower cost of capital.<sup>136</sup>

Organizations that match their efforts with their business strategy will reap these benefits because they will be focused on the issues that have the most real effects. Metrics coupled to an effective system of internal controls give enterprise knowledge to firms and their stakeholders to assist decision-making, manage output, and allocate resources.

## **2.2 Theoretical Framework**

The theoretical framework of this study is anchored on the Stakeholder's Theory and Institutional theory

### **2.2.1 Stakeholders Theory**

The stakeholder's theory was first propounded by F. Edward Freeman. He defined a stakeholder as any group or individual who can effect or is affected by the achievement of the organization's objectives<sup>136</sup>. It states that in order for a business to succeed, it must produce value for its customers, suppliers, employees, communities, financiers, shareholders, and banks. The stakeholder theory emphasises that some individuals or groups are critical to the organization's sustainability<sup>136</sup>. This is an organization-oriented explanation, although Fredman reported in an earlier study that stakeholder theory refers to any group or individual who can affect or is likely to be affected by the attainment of the organization's aim. Another definition of stakeholders theory was more fair and includes a broader range than those of the Stanford Research Institute (SRI), which defined the theory simply as those people who would not exist if the organisation did not have their support and ideas<sup>136</sup>. They went on to say that the Fredman definition was broader since it encompassed individuals outside the firm and other organisations that may regard themselves as stakeholders in the organisation without the firm recognising them as such. Most firms' stakeholders typically comprise shareholders, employees, consumers, lenders, suppliers, local charities and interest groups, and so on<sup>136</sup>.

Stakeholder theory says that if it treats its employees badly, a company will eventually fail. Most stakeholders do not hold stocks or shares in a company<sup>137</sup>. Rather they are invested in the in a different way. For this study the stakeholders of focus are the Auditors of the business. The theory helps to set a proper path and to maintain it, in order to target success and to achieve the goals of the organization. Internal audit can help to solve the problem of whether financial reports are related and reliable<sup>138</sup>. Internal audit fails to fulfill the duty if they cannot remain independent in conducting the process.

The vocabulary of Freeman has found its way into the investor briefings, public pronouncements, and secret boardrooms of the world's most powerful corporations. Executives can start implementing Freeman's practical recommendations right away. Leaders should begin by considering their stakeholders: Which groups and individuals are affected by their organisation, both externally and internally? What impact does their organisation have on these groups? To answer these questions, a company should examine its employees and the community surrounding its supply chain, as well as its customers and the community surrounding its customers. This research is supported by stakeholder theory because it is about organisations and their stakeholders. It might be interpreted as reacting to stakeholder concerns about the trustworthiness of information provided by directors in the same way that the audit aims to address the principal-agent conflict between shareholders and directors.

### **2.2.2 Institutional Theory**

The Institutional theory was introduced by John Meyer and Brown Rowan as a means to explore further how Institutional theory emphasizes that without institutions and markets, firm existence would have been impossible and transaction could never have begun<sup>141</sup>. Conventionally, institutions are described as what people accept or reject as acceptable, and they frequently serve as the framework within which any activity finds legitimacy. Institutional tenets are usually attained when a company closely adheres to stringent regulations. This theory further stressed that organisations are more than just sites where commodities and services are created; they are also the custodians of social and cultural systems. A significant researcher on institutional theory defines institutional theory as organisations that, collectively, constitute a recognised area of institutional Life<sup>141</sup>.

Institutional theory is concerned with the formation or establishment of an organisation, the roles and responsibilities of directors and management, corporate governance, and so on. A review of this will help you understand how the organization's structure, processes, regulations, and mechanisms affect the company's performance. The institutional theory will assist in emphasising the functions of internal audit in the company and their importance for effective and efficient business operations and activities<sup>142</sup>.

### **Relevance of the Institutional Theory to the Study**

The institutional theory serves as the foundation for this study's systematic investigation of innovation, with the theoretical contribution about distinctions between formal and informal institutions. Companies and regulatory, normative, and cultural - cognitive types of institutions, as well as different levels of institutions, are involved in this instance. The institutional theory would serve to emphasise the functions of the company's internal audit and its importance for effective and efficient business operations and activities, which is the topic of this study.

### **2.3. Review of Empirical Studies**

In a study on internal auditing in the public sector: a systematic literature review and future research agenda<sup>142</sup>. The purpose of this study is to conduct a literature review on public sector internal auditing (IA) published after 2009 and to answer three research questions (RQ) that are interrelated: How is new research being developed regarding the IA in the public sector? Where does the literature on IA in the public sector place its emphasis, and what are some of its criticisms? What lies ahead for the field of IA research in the public sector? The research utilised a method called a systematic literature review, and it analysed 78 articles from peer-reviewed journals that were published between the years 2010 and 2019. In order to determine the

progression of public sector IA research (RQ1), the authors considered the following five criteria: level of government, academic discipline, number of countries, geographic areas, and MSCI country classification. In a similar manner, they presented the focus and criticisms of the literature (RQ2) by using four criteria, namely, the type of organisational respondent, the research instrument, the theories and research theme examined, and finally, the research theme examined. Finally, in order to answer the third research question (RQ3), the study applies two criteria: first, the directions that were determined by RQ1 and RQ2, and second, the directions that were highlighted by the 10 studies in the IA literature that were cited the most frequently. The findings of the research indicate that there has been an increase in the number of publications up to 2017, the vast majority of which are focused on a single country, in particular on developing markets. In addition, studies on IA have been conducted at all levels of government, though most frequently at the local government level. Even though we have identified a number of different research topics that have been investigated in the past, the vast majority of studies focus on "governance" and "operational effectiveness" through the application of quantitative analysis and make no reference to any theories. By conducting an analysis of these primary characteristics, the authors provide a critical interpretation of the difficulties that may be encountered by researchers, as well as the scepticism that may be expressed.

In order to evaluate the influence that internal auditing has on the quality of financial control, empirical evidence from a few different governments sector in Nigeria<sup>145</sup>. The purpose of this study is to investigate the role that internal audit plays in ensuring efficient financial control at the level of local government in the north-eastern part of Nigeria. The method of research utilised in this study is a questionnaire-based survey. The questionnaire was distributed to staff

members working in local government finance and administrative departments, as well as internal audit units. In order to analyse the data that was gathered, descriptive statistics and the Chi-square test were utilised. According to the findings of the study, the factors that determine how well financial controls are implemented are the independence of the internal auditor, their level of expertise, and the scope of their responsibilities. It was also discovered that the competence of the internal auditor plays a significant role in determining the role that an internal auditor plays. In addition, it was found that some local governments employ internal auditors who have qualifications that are not as high as those required for the position, such as a high school diploma, and who do not have a professional certificate. In addition, the research showed that the majority of internal auditors do not perform assessments of the existing systems. This is due to the fact that there are a number of domains in which they are not involved, most notably the process of awarding contracts in local governments.

In a related research on internal audit effectiveness in Saudi Arabia's public sector higher education system<sup>146</sup>. The purpose of this study is to investigate the factors that influence IAE practices within the Saudi public sector higher education system, as well as to address particular objectives. The four specific goals are as follows: (1) identify and review the factors which might impact on IAE based on prior literature; (2) test the factors identified in the context of IAE in Saudi Arabia's public sector higher education system; (3) investigate the internal auditing practices and perceptions of internal auditors, managers, and external auditors regarding IAE in Saudi Arabia's public sector higher education system; and (4) provide suggestions and recommendations based on the findings for honing IAE in Saudi Arabia's public sector higher education system<sup>147</sup>. The agency and institutional theories are used to investigate people's perceptions of the functions that IAE performs within the Saudi public sector higher education

system. They address the issue of IAE by identifying seven factors that are considered to be significant for effective internal auditing. These factors are as follows: independence; the quality of audit planning and execution; resources; competence; use of information systems; management support; and the relationship between internal and external auditors.

In order to achieve the goals of this research, a comprehensive review of the relevant literature has been conducted in order to develop a conceptual framework for the investigation of the impacts on IAE<sup>148</sup>. This conceptual framework was then put to the test and validated through the presentation of qualitative and quantitative findings (a parallel mixed-methods approach), which were based on the data collected from participants in the Saudi public higher education sector. The recent calls for, and relative absence of, mixed methods approaches in IAE research in general served as motivation for the decision to use a parallel mixed methods approach in this particular study.

Convergent Parallel Design was utilised in an attempt to bring together the two distinct study designs that were being utilised. The data were put to the test and verified by the quantitative portion of the research, which utilised structural equation modelling (SEM) carried out on Mplus software (version 8.4). The qualitative component performed an analysis of the data using a method called thematic analysis, which was made possible by the software NVivo (version 12). According to the findings of the research, the challenges that are encountered in IAE are the result of a lack of independence on the part of internal audit departments (IADs); a lack of resources; a lack of competence; a lack of training, expertise, and specialisation on the part of employees; a lack of information system use or knowledge; and tensions between internal and external auditors. Additionally, the findings indicated that internal auditing practises are a



legitimate requirement of IAR in Saudi Arabia; however, there was no direct link established between these practises and the perceptions of better global practises.

In another related study to assess the internal auditors role indicators and their support of good governance<sup>148</sup>. The purpose of the study was to develop indicators that could measure the progress made toward implementing a new model for internal auditors in government organisations and the contribution those auditors make toward supporting good public governance. The data was collected by conducting a survey, administering questionnaires, and conducting interviews with key informants. Internal auditors from a variety of government agencies were those who responded to the survey. The data underwent both quantitative and qualitative analysis before being interpreted. If they are provided with support in the form of leadership commitment, internal auditors will be able to carry out their roles under the new model. As of right now, the most important function that government internal auditors play is that of a watchdog. The implementation of roles such as consultants and catalysts has started, but these roles are not quite where they need to be yet. The level of support for good public governance that the control variable provided was the highest, while the level of support that the audit knowledge variable provided was the lowest.

In order to study Internal audit effectiveness: operationalization and influencing factors, the purpose of this paper is to introduce a framework that presents how internal audit effectiveness can be operationalized and what factors are available to influence the effectiveness<sup>149</sup>. This will be accomplished by studying Internal audit effectiveness: operationalization and influencing factors. Audits conducted within an organisation have emerged as one of the most important practises for businesses to control the extent to which their operations are compliant with standard procedures and regulations. The literature is unanimous in its agreement that carrying

out internal audits is beneficial in many ways. However, it can be challenging for companies to evaluate the efficiency of their internal audits and to comprehend the factors that influence audit efficiency. A comprehensive literature review was carried out in order to locate publications that were pertinent, as well as to gather evidence on the operationalization of internal audit effectiveness and the factors that may potentially influence the efficacy of internal audits, and to synthesise that evidence. A comprehensive list of indicators that were used for the operationalization of audit effectiveness as well as a list of potential factors that influenced the audit effectiveness were the results of an in-depth analysis of the relevant studies. A structure is constructed out of a synthesis of the findings from the systematic review.

In assessing the relationship between internal auditors' personality traits, internal audit effectiveness, and financial reporting quality<sup>150</sup>. The purpose of this study is to investigate the relationship between the personality traits of internal auditors and the efficiency of the internal audit function. In addition to this, it investigates the effect that such interacted variables have on the quality of financial reporting. For the purpose of this study, data was collected from 193 internal auditors working for Jordanian companies that are listed on the Amman Stock Exchange using a questionnaire survey. The partial least squares structural equation modelling is utilised in order to perform validation and testing on the study model. The findings indicate that the effectiveness of the internal audit function is significantly impacted by all of the personality traits of internal auditors that were investigated, with the exception of the extraversion trait. The findings also indicate that personality traits have indirect effects on the quality of financial reporting, which are manifested through the efficiency of the internal audit function. According to the findings of this study, internal auditors who have high scores on openness to experience, emotional stability, and conscientiousness are likely to be among the most significant

contributors to the efficiency of the internal audit function. The findings also imply that the personality characteristics of internal auditors can be considered an intangible resource that contributes to the effectiveness of the internal audit function.

The influence of the quality of internal audits on the stability of the financial system<sup>151</sup>. The purpose of this research is to determine the impact that the quality of the internal audit has as an essential instrument, for the purpose of achieving efficient and effective financial management as well as stability, which ultimately satisfies the financial goals of the company. Because of the growing significance of the quality of internal audits and the paucity of evidence regarding the impact that they have on the stability of financial systems, we decided to look into the impact that internal audit has on the monetary operations of businesses. The audit, finance, and banking professionals participated in the study, and correlation analysis and simple regression were performed on the data. The study drew its conclusions from the evidence obtained from the data collected through a questionnaire. The results evaluate the relationship between audit quality and financial stability, and they suggest that it is a positive one. According to the findings of the research, the quality of the company's internal audit plays a significant role in the financials; high audit quality has a direct impact on the level of financial stability enjoyed by the business. In light of the findings, it is essential to raise as much awareness as possible among the workforce and the management in order to give the auditors a better chance of comprehending the difficulties and the effect they will have on the organization's financial stability.

In a related study to assess the effect of internal audit on the organizational performance of state corporations in Kenya<sup>152</sup>. The purpose of the study was to determine, in particular, how internal audit standards, independence of internal audits, professional competency of internal auditors, and internal controls affect the organisational performance of state corporations in Kenya. In the

study, a descriptive research method was utilised, and a cross-sectional methodology was utilised in order to conduct the performance analysis of the state corporations. At a confidence level of 95%, the sample size consisted of 131 state corporations that were obtained through the use of Yamane's formula. Utilizing a questionnaire was a helpful tool in carrying out the data collection. Inferential statistics, with the assistance of correlation analysis (R-value) and regression analysis (beta coefficients, R<sup>2</sup> & p values), determined the causality between the variables. Descriptive statistics, which provide a summary of the data in frequencies, percentages (%), and other formats, were used. The data that was collected was analysed with the assistance of SPSS version 25.0 and Excel, and the results were presented with the help of tables and figures to make the data easier to understand and interpret. In order to determine whether or not there is consistency, the findings were compared with the findings of other studies that were conceptually similar. The findings revealed that internal audit standards ( $\beta = 0.482$ ,  $p=0.000$ ), internal audit independence ( $\beta= 0.134$ ,  $p=0.083$ ), internal audit professional competency ( $\beta= 0.214$ ,  $p=0.000$ ) and internal audit controls ( $\beta= 0.125$ ,  $p=0.039$ ) have a positive and significant effect on organizational performance of state corporations in Kenya. This implies that improvement in 1 unit of internal audit standards, internal audit independence, internal audit professional competency, and internal audit controls lead to an improvement in the organizational performance of state corporations in Kenya by 0.482 units, 0.134 units, 0.214 units and 0.125 units respectively. The study, therefore, concludes that internal audit standards, internal audit independence, internal audit professional competency and internal audit controls have a significant and positive effect on the organizational performance of state corporations in Kenya.

In the Influence of Audit Functions in the Performance of Public Sector in Kenya<sup>153</sup>. The goal of the study was to examine the impact that internal audit functions have had in the public sector in

Kenya, specifically with regard to KeNHA. The research was conducted in Kenya National Highways Authority with the purpose of determining the effect of internal audit departments on organization's performance, examining the effect of internal audit independence on organization's performance, and determining the effect of internal audit quality on organization's performance. These three objectives were the specific focus of the study. The research was carried out using a descriptive design, which is a method that tries to explain the various factors that are present in a particular scenario. This study used this method. The participants in the study all worked for the Kenya National Highways Authority, and there were a total of 326 of them. The research utilised a method of sampling known as stratified sampling. The number of employees from the organisation who made up the sample was 180. Questionnaires were used throughout the collection process to gather primary data. In order to adequately explain the findings of the specific objectives, the study made use of both descriptive and inferential analysis. Tables, figures, and graphs were used to present the findings and provide an explanation for them. The results show that there was a strong relationship between internal audit departments and the organization's performance ( $r = 0.899$ ,  $p < 0.05$ ). The overall R squared was 0.809 indicating that internal audit departments explains 80.9% of variation in performance. The results show that there was a strong relationship between internal audit independence and organization's performance ( $r = 0.881$ ,  $p < 0.05$ ). The overall R squared was 0.775 indicating that internal audit independence explains 77.5% of variation in performance. The results revealed that there is a strong relationship between internal audit quality and organization performance ( $r = 0.911$ ,  $p < 0.05$ ). According to the findings, there is a statistically significant and favourable relationship between the quality of the internal audit and performance. Because the overall R squared was 0.829, it can be deduced that the quality of the internal audit explains 82.9% of the variation in performance.

According to the findings of the study, there is an efficient internal audit function that plays an important part in assisting management in spotting instances of fraud within the organisation. Internal auditors are extremely important in the process of monitoring the organization's risk and locating areas in which there is room for improvement in risk management. Second, auditors are allowed to access any document that is relevant to the audit work without favour or fear of retaliation from the majority of the employees who cooperate with the organisation. Thirdly, the company has taken the initiative to strengthen the internal audit department in order to improve IAQ. This function of the internal audit department ensures that employees produce higher-quality work, which can then be used to evaluate the performance of the company.

In another study on public financial management tools and performance in Nigeria Public Sector<sup>154</sup>. The sample was selected from the study population, which consisted of government ministries, departments, and agencies in addition to other economic watchers, using a descriptive survey research design and random and judgmental sampling techniques. The respondents were each given a copy of a structured questionnaire that was administered to them. In order to test the hypotheses that were developed to depict and show the relationship between the aforementioned variables that were under study, the study utilised descriptive statistics and correlational analysis. According to the findings of a study, there is a significant connection between the Treasury Single Account (TSA), the Government Integrated Financial Management Information System (GIFMIS), and the Integrated Personnel Payroll System (IPPIS) and the financial performance of the Nigerian Public sector. According to the findings of the analysis, each of the three tools was found to exert some level of influence over the financial performance of the Nigerian public sector. In contrast to the first two tools, the IPPIS was met with opposition from workers in tertiary institutions (the Association of Staff Unions of Universities (ASUU) and the Academic

Staff Union of Polytechnics (ASUP)) due to the associated errors. This was the case despite the fact that the tool reduced the number of anomalies that were occurring in the payroll administration in Nigeria.

Similarly, to study the impact of internal audit and risk management in Nigeria's Public Sector<sup>155</sup>. The purpose of this research is to investigate the connection that exists between internal auditing and risk management in ten different MDAs located in the state of Rivers. The data were generated with the assistance of the necessary information that was collected from the study by means of the cross sectional survey using copies of the questionnaire that was given out. Using Taro Yamane's formula at a level of significance of 0.05, the total population size was determined to be 150, and the sample size was determined to be 109. Additionally, 109 copies of the questionnaire were given out to the respondents, but only 90 of those copies were returned after being filled out. Using the Cronbach Alpha method, the instruments were shown to have a reliability that was greater than the 0.7 threshold. There were a total of six research questions and hypotheses proposed, all of which were put to the test utilising the SPSS 23 version and spearman's rank order co-efficient of correlation. According to the findings, the practise of internal auditing has a beneficial effect on risk management and risk financing. To summarise, risk management in the various departments and agencies (MDAs) of the Nigerian public sector is significantly influenced by internal audit. The relationship between the quality of internal audits and levels of corruption in the Nigerian public sector is the focus of this study. In this study, there were a total of 160 internal auditors from public sector organisations in Lagos State who participated as respondents. A questionnaire was given out to participants in order to collect the necessary data for the study. The data were analysed using a method called Multiple Regression Analysis. The findings of the study indicate that an independent variable known as

internal audit quality (which is proxied by the independence, competency, and integrity of the Internal Auditors) has a significant effect on corruption and has the potential to help in the fight against corruption in the public sector. In order to improve the quality of the internal audit, it is necessary to ensure that the internal auditor is able to carry out his responsibilities independently. This can be accomplished by passing laws that protect the role of the internal auditor. Before hiring someone to work in the internal audit department of a government agency, another important consideration should be the individual's level of education and professional experience, both of which should be taken into account.

To assess the determinants of internal audit effectiveness in public universities in the South-West Nigeria<sup>156</sup>. The purpose of this study was to investigate the factors that influence the efficiency of internal auditing in public universities in the south-western region of Nigeria. The method of research utilised in this study was a survey. One hundred thirty people are included in the study as participants (130). The descriptive and inferential statistics were used to analyse the primary data that was obtained through the questionnaire that was distributed to one hundred and thirty (130) respondents in both federal and state universities in the south-west region of Nigeria. The findings of the study showed that the respondents agreed with the findings of the survey questionnaire, which indicated that a significant effect on the efficiency of internal auditing can be attributed to management support, relationships between internal and external auditors, and the competency of internal auditors. A regression analysis known as partial-least square structural equation modelling (PLS-SEM) was utilised in order to test the hypotheses that were developed for the study. The findings of the study indicated that management support would result in effective internal audit service, as shown by a t-value of 9.063 and a p-value of 0.000 at a significance level of 5%. This was demonstrated by the fact that the level of significance was



maintained. The other finding that emerged from this investigation was that the relationship between internal auditors and external auditors has a significant positive effect on the efficiency of internal audits. This was demonstrated by a t-value of 36.080 and a p-value of 0.000 when the significance level was set at 5%. The study found that internal auditor competency would improve the performance of the internal auditor, which would ultimately lead to the effectiveness of the internal audit department. This finding was supported by a t-value of 6.207 and a p-value of 0.000 at the 5% significant level. As a result, the findings of this study led the researchers to the conclusion that management support, a relationship between the internal auditor and external auditor, and the competency of the internal auditor would lead to effective internal audit service delivery in public universities in south-west Nigeria.

In a study on Internal auditing and accountability of public funds in local government: A case study of Mbarara District Local Government<sup>7</sup>. In the course of the research, a single senior manager from the finance department was chosen. Because it was the most effective method for gathering information, the researcher gave a survey questionnaire to every individual who was a part of the population that was the focus of the study. As methods for analysing the data, we employed both quantitative analysis and regression analysis. When conducting an analysis of the data, descriptive statistics such as mean, standard deviation, and frequency distribution were utilised. Tables were used to present the data in order to make their understanding and interpretation more straightforward. A unit increase in internal audit standards would lead to an increase in the accountability of public funds of local governments, a unit increase in the independence of internal audit would lead to an increase in the accountability of public funds of local governments, and a unit increase in internal control would lead to an increase in the accountability of public funds of local governments are all conclusions drawn from the findings

of the study, which found that internal audit standards, independence of internal audit, professional competency, and internal control all had a positive relationship with accountability of public funds of local governments. According to the findings of the study, the management of local governments in Uganda should adopt efficient internal audit practises to improve accountability of public funds. These practises include internal auditing standards, independence of internal audit, professional competency, and internal controls.

In a study on the impact of internal audit and risk management in Nigeria's Public Sector<sup>157</sup>. The purpose of this research is to investigate the connection that exists between internal auditing and risk management in ten different MDAs located in the state of Rivers. The data were generated with the assistance of the necessary information that was collected from the study by means of the cross sectional survey using copies of the questionnaire that was given out. Using Taro Yamane's formula at a level of significance of 0.05, the total population size was determined to be 150, and the sample size was determined to be 109. Additionally, 109 copies of the questionnaire were given out to the respondents, but only 90 of those copies were returned after being filled out. Using the Cronbach Alpha method, the instruments were shown to have a reliability that was greater than the 0.7 threshold. There were a total of six research questions and hypotheses proposed, all of which were put to the test utilising the SPSS 23 version and spearman's rank order co-efficient of correlation. According to the findings, the practise of internal auditing has a beneficial effect on risk management and risk financing. To summarise, risk management in the various departments and agencies (MDAs) of the Nigerian public sector is significantly influenced by internal audit. On the basis of the findings and the conclusion, it is possible to make recommendations along the lines of discouraging any internal auditor from

working in the field of risk management if they are unable to provide evidence that they possess the necessary skills and knowledge.

In a study titled "Internal control system and financial accountability: An investigation Of Nigerian South-Western public sector<sup>158</sup>." This study examines the effect of internal control system on financial accountability in terms of effective and efficient financial operation, compliance with applicable laws and regulations, reliable financial reporting, transparency, and flow of information. The information used in this study was primarily obtained from a random sample of 354 Heads of Units in the Account and Audit Departments in 65 Ministries of the Southwestern Nigeria. These Heads of Units are directly involved in the management, financial planning, and budgeting of their respective ministries. The descriptive analysis and regression technique were used to conduct the coding and analysis of the 222 questionnaires that were completely filled out and returned. With mean scores of 4.22, 3.91, 3.86, 3.81, and 3.47 respectively, the result shows that the internal control system had a positive effect on financial accountability in terms of effective and efficient financial operation, compliance with applicable laws and regulations, reliable financial reporting, transparency, and flow of information. This was revealed by the fact that the internal control system had a positive effect on financial accountability. The results of the regression indicate that factors such as control environment, control activities, risk assessment, information and communication, as well as monitoring and evaluation, have a significant impact on the public sector's financial accountability. The ANOVA with the  $F = 16.995$ ,  $p < 0.05$  shows that all the components of internal control system had significant effect on financial accountability in public sector. Therefore, the study concludes that internal control system put in place in the public sector is well established and adequate for effective and efficient financial accountability. There is a need for the internal control system in

the public sector to ensure adequate use of all channels of communication and information flow for proper financial accountability.

In another related study on Internal audit quality dimensions and organizational performance in Nigerian federal universities<sup>159</sup>. In this study, the moderating effects of top management support in the relationship between internal quality dimensions and organisational performance in Nigerian federal universities are investigated. [Citation needed] [Citation needed] [Citation needed] [Citation needed] [C In order to conduct the research, a representative sample of senior-level internal audit staff from each of the 40 federally owned universities in Nigeria, from which a total of 400 samples were drawn for the study, was used. The data were generated with the help of a questionnaire instrument, which was then put through Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA), both of which were performed with the intention of identifying underlying dimensions. After collecting and analysing the data with inferential statistics, the researchers came to the conclusion that the interaction of internal audit competence, internal audit independence, and internal audit size, along with support from top management, has a significant impact, both positively and significantly, on the organisational performance of Nigerian federal universities. The findings provide the ground for new policy initiatives to strengthen internal audit and enriched the literature by providing the moderating effect of top management support as instrumental to organisational performance. The findings also provide the ground for new policy initiatives to strengthen internal audit.

In a work to assess the relationship between organization structures and performance in the Nigerian public sector<sup>160</sup>. In the public sector, establishing a good organisational structure as a parameter for governance control practises is primarily done with the intention of resolving issues that affect the prudent management of resources in order to guarantee the efficient

delivery of public services. As a consequence of inadequate organisation structure, the quality of public service delivery only increased by an aggregate average of 2.4 percent from 2008 to 2017. This occurred over a ten-year period. This suggests that the existing organisational structure does not appear to be useful due to the level of deterioration in the delivery of public services. As a consequence of this, the current research investigates how organisational structure tools, such as communication with stakeholders, accountability, and internal control, impact the performance of the public sector in Nigeria. The study collected data concurrently using the two common survey research instruments (the questionnaire and the interview), analysed the data separately, and then merged the results when they were interpreting the findings. The target population for quantitative analysis is comprised of Six (6) individuals from each of the 175 MDAs in Nigeria as of the month of December 2018, while the study proposed Ten (10) participants for interviews. Both descriptive and inferential statistics were used in the analysis of the quantitative data. In order to validate the hypotheses, we utilised a technique known as Partial Least Square Structural Equation Modelling (PLS-SEM). The findings of the study, which included both quantitative and qualitative analysis, indicate that there is a positive and significant relationship between communication with stakeholders, accountability, and internal control and the performance of the public sector. The findings of the study indicate that there is a beneficial relationship between the three constructs that stood in for organisation structure and the performance of the public sector.

In study to ascertain the place of auditing in organizational performance of public sector in some selected Local Government in Zamfara State, Nigeria<sup>161</sup>. This research study investigates the role that auditing plays in the organisational performance of public sector organisations in Nigeria. As a case study, some selected Local Governments in Zamfara State, Nigeria are used. Its specific objective, among other goals, is to determine whether or not there is a significant relationship

between the internal audit department and the administration of the Local Governments. Additionally, it seeks to determine whether or not there is a significant relationship between effective internal auditing of accounts maintained by public sectors and accurate reporting of stewardship by accounting officers. The information was gathered by means of a questionnaire that was carefully designed, piloted, and then distributed to 55 individuals who were representatives of selected Local Government councils in the state of Zamfara. Chi-square, one of the statistical tools available in SPSS, was used to conduct an analysis on the data that was collected. The results of the research indicated, among other things, that there is a substantial connection between the internal audit department and the administration of the Local Government. In addition, there is a significant connection between efficient internal auditing of the financial records of public sector organisations and accurate reporting of stewardship by the officers responsible for accounting. As a result, the state's system for auditing the accounts of the public sector does not appear to enhance the efficiency of accountability. This may be attributed to the political interference that was experienced, as well as the non-independence of the internal audit personnel, which prevents them from doing their work as required by the constitution. For efficient performance and effective accountability in the public sector, it is recommended that political interference should be minimised, and there should be clear information dissemination within the various departments in all local government on the control measures taken, so that each department can ensure that each control measure is effective.

In assessing Internal audit as a tool to improve the efficiency of public service<sup>162</sup>. The authors make an effort to define the efficiency metrics for internal audit using one of the countries that is a part of the European Union as an example. They also discuss the role that internal audit plays in improving the efficiency of public spending and the performance of public entities. In order to

empirically verify the hypotheses related to the research problem presented, a mixed methodology is utilised. This methodology combines the findings of qualitative and quantitative research. Research that is qualitative relies on descriptive analysis, whereas research that is quantitative will include the method of statistical information systemization, which is founded on statistical source data analysis. Empirical research has shown that internal audit efficiency metrics have a positive impact on the level of public service tasks that are completed, but there was no impact recorded on the scale of completion for the areas that fall under the purview of the Council of Ministers.

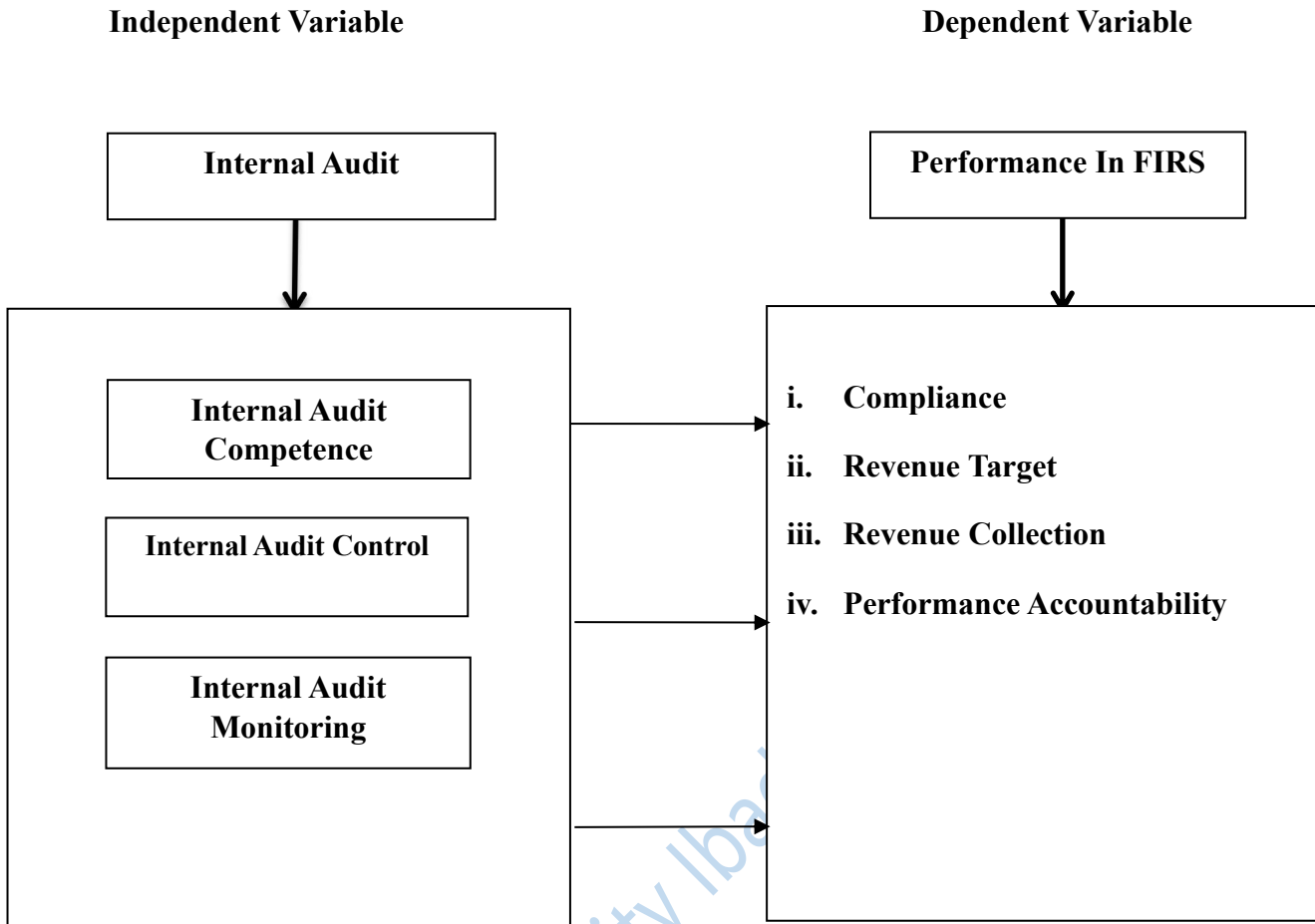
In a research on Internal audit and creative accounting practices in ministries, departments and agencies (MDAS)<sup>163</sup>. The study used Ministries, Departments, and Agencies (MDAs) as the focal group in order to investigate the relationship between the internal audit function and creative accounting practises in the public service domain in Nigeria. The study is based on the ongoing cases of fraud in the public service, as evidenced by the bogus financial reports that are inundating the Nigerian civil service domain. The study is anchored on agency and information theories and shaped via the survey approach, by gathering data from systematically sampled respondents of the internal audit unit of MDAs based in Bayelsa State. The findings of this study will be used to shape future research in this area. Using the SPSS tool to analyse the data collected via a structured questionnaire, it was found that the internal audit function has an effect on creative accounting practises in MDAs. This was discovered after the observation was made that the questionnaire was structured. As a result of this, it was deduced that an effective internal audit, which serves as the first line of defence against financial fraud in the context of internal control, can unquestionably prevent accounting information manipulations.

In the study "Internal audit quality dimensions and organisational performance in Nigerian federal universities: the role of top management support<sup>164</sup>". The purpose of this research is to first examine existing literature and models of effective internal auditing from the point of view of the required inputs, processes, outputs, and outcomes of internal auditing, and then to propose a model for effective internal auditing in tax administration. The human and material resources that are necessary for the internal audit department to perform effectively are referred to as the "input" for internal audit. On the other hand, the "process" refers to the act of making efficient use of the input in order to carry out the actual task of auditing functions. The output is the result of the process in the form of reporting and recommendation to the management, while the outcome is how this output is, in terms of impacting useful contribution in improving an organization's internal operational performance toward achieving its objectives. The paper conducted an analysis of internal audit models and literature, and as a result, it offers constructive criticism by drawing attention to the necessity of integrating the models and proposing a model that is capable of improving the internal audit functions in tax organisations.

#### **2.4 Conceptual Model**

The conceptual model depicts the variables (independent and dependent variables) under investigation in the study. The purpose of this study is to examine the influence of Internal Auditing (independent variable) as an effective management tools in public sector accountability (independent variable). It will examine the influence of several Internal Auditing proxies (Internal Audit quality, Internal Audit and internal audit monitoring and control) on public sector accountability (as depicted in Figure 2.1). As a result, the study will be guided by the conceptual model.





**Fig 2. 1:** Conceptual Model of Internal Audit and Accountability In FIRS

**Source:** Researchers' Framework, 2024

## 2.5 Summary of the Reviewed Literature and Gap

This section present literature review of related and relevant to the research topic under investigation. The section started with the conceptual review of variables where relevant concepts (Accountability and Internal audit) were defined and clarified. This was followed by the theoretical framework in which Stakeholder's Theory and Institutional theory were adopted to

support the study. Empirical findings on internal auditing in the public sector (both within and outside Nigeria); internal audit function and accountability in statutory corporations, internal auditors role indicators and their support of good governance, internal auditors' personality traits, internal audit effectiveness, and financial reporting quality and impact of internal audit quality on financial stability were discussed, revealed and presented. This was followed by a presentation of the conceptual model and its discussion.

Review of previous studies found out that the Internal Auditing as a management tools in public sector accountability. While, this research tends to study internal audit quality and performance accountability in tax administration in FIRS, using performance measures like compliance with the rules of engagement, revenue collection/ remission, and revenue target had not been done. However, various literature showed internal audit as tool for financial stability, some showed relationship between internal auditors and financial reporting quality and effect of Internal Auditing as a tool for accountability in private sectors and in other public sectors both within and outside Nigeria. Hence, this study tends to fill this gap.

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### Chapter Three

## **Methodology**

This chapter focuses on the methodology of the research work. The chapter is organized under the following sub-headings: research design, population of the study, sample and sampling techniques, research instrument, validity of the instrument, reliability of the instrument, method of data collection and method of data analysis.

### **3.1 Research Design**

This present study will employ a descriptive research design since it seeks to examine the effect of Internal Audit quality on public sector accountability without manipulations of the “dependent” and “independent variable”. Descriptive research design is considered necessary for this study because it simply describes the desired characteristics of the sample that is being studied and the variables of study are not influenced in any way<sup>1</sup>.

### **3.2 Population of the Study**

The population of this study consist of 9800 staffs at the Federal Inland Revenue Service from which the target and accessible population will be drawn<sup>2</sup>.

### **3.3 Sample and Sampling Techniques**

Sample is a small or selected group used to represent the whole. Sample can be defined as the actual number of or part of the study of population that is objectively selected for the purpose<sup>3</sup>.

Data for this study will be obtained quantitatively using random sampling techniques. Random sampling technique was used to ensure that each sample has an equal chances or probability of being chosen. Taro Yamane formula was adopted for the calculation of the sample size and the formula is expressed as:

$$n = \frac{N}{1 + N(e)^2}$$

Where n is the required sample size, N is the total population, e is the margin of error at 95% confidence level. Therefore, the study sample size with the total population of 9800 calculated as

$$n = \frac{9800}{1 + 800(0.05)^2}$$

$$n = \frac{9800}{1 + 9800(0.0025)}$$

$$n = \frac{9800}{1 + 24.5}$$

$$n = \frac{9800}{25.5}$$

$$n = 384.3$$

$$n = 384$$

### 3.4 Research Instrument

The instrument for use in the collection of the data of the study will be questionnaire named Internal Audit Quality and Public Sector Accountability in Nigeria (IAQPSA). The close-ended questions provided the respondents a list of items to choose from. The questionnaire will have four sections. The questionnaire for the study will be divided into three (4) sections, A, B, C, and D.

**Section A** will be designed to obtain demographic information of the respondents. This deals with the gender, age, marital status, department, year experience and highest qualification of the respondent.



**Section B** will focus on the questions pertaining to influence of internal Audit competence on compliance in FIRS. The rating technique will be based on the four-point likert type as follows: Strongly Agree (SA) – 4 points, Agree (A) – 3 points, Disagree (D) – 2points and Strongly Disagree (SD) – 1 point.

**Section C** will focus on theeffectof Internal Audit control on meeting revenue targets in FIRS. The rating technique will also be based on the four-point likert type as follows: SA=Strongly Agree (4), A=Agree (3), D=Disagree (2), SD=Strongly Disagree (1).

**Section D** will contain questions on the impact of internal audit monitoring on revenue collection FIRS. The rating technique will be based on the four-point likert type as follows: SA=Strongly Agree (4), A=Agree (3), D=Disagree (2), SD=Strongly Disagree (1).

**Section E** will focus on questions on the impact of internal audit quality on public sector performance accountability in FIRS. The rating technique will be based on the four-point likert type as follows: SA=Strongly Agree (4), A=Agree (3), D=Disagree (2), SD=Strongly Disagree (1)

### **3.5. Validation of the Research Instrument**

The validity of the researcher instrument shows that the instrument measures what it is intended to measure and that the study's findings may be believed. To verify the research instruments' internal validity, a pilot study will be conducted to determine the instrument's reliability. Also, Face-validity and content validity will be used to assess the instrument's validity by the researcher's supervisor and other lecturers in the Department of Management and Accounting, Faculty of Management and Social Sciences, Lead City University, Ibadan. After which a clean copy of the instrument will be prepared for validation

### **.3.6 Reliability of the Instrument**

Reliability of the instrument relates to its potential to give consistent results when administered repeatedly. It guarantees that the research instrument measures what it is designed to assess and that the findings of the study are credible. The questionnaire will be evaluated using a Cronbach alpha coefficient of 0.70. If the Cronbach's Alpha reliability coefficient is greater than or equal to 0.70, the instrument is considered dependable (Reliability 0.70).

### **3.7 Method of Data Collection**

The questionnaires will be self-distributed to the respondents with a cover letter obtained from the school that briefly explained the researcher's identity, the purpose of the survey, the importance of their participation, and assurance of confidentiality. After completion, the questionnaire will be collected by the researcher. The questionnaires will be dully monitored for retrieval to prevent the instrument's possible loss, abandonment, irretrievability, and late submission. Every effort will be made to clarify any respondent-misunderstood or unclear term.

### **3.8 Method of Data Analysis**

As descriptive statistical methods, the simple percentage and frequency count will be employed to assess the descriptive characteristics of the questionnaire-generated data. In the case of the data's inferential characteristics, multiple regression analysis will be employed. Due to the continuous nature of the dependent and independent variables, the application of multiple regressions is justified. Multiple regression as an inferential statistical method will be used to examine the relationship between the dependent and independent variables in order to meet the study's objectives. Statistical Package for the Social Sciences (SPSS) version 23.0 will be used to examine the quantitative instrument's generated d

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### **Endnotes**

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## **Chapter Four**

### **Results and Discussion of Findings**

This chapter presents the results and discussion of findings which was based on the data collection and analysis with respect to the objectives (research questions and hypotheses) of the

study. This chapter first shows the instruments' response rate followed by the presentation and interpretation of data (demographic characteristics of respondents, research questions and hypotheses) and then the discussion of findings.

#### 4.1 Instrument Response Rate

**Table 4.1: Instrument Response Rate**

S/N	Research Instruments	Amount administered	Amount retrieved	Amount Validated	Rate of Response
1	Internal Audit Quality and Public Sector Accountability in Nigeria (IAQPSA)	385	320	320	83.1%

**Source: Researcher's Fieldwork, 2024**

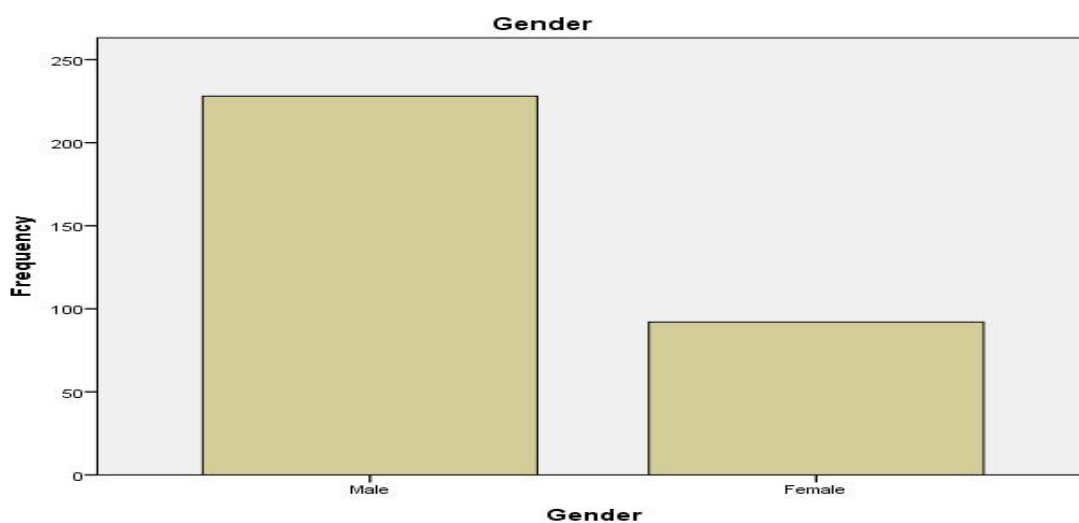
The table 4.1 presents data on the response rates for the research instruments used in this study: Internal Audit Quality and Public Sector Accountability in Nigeria (IAQPSA). The questionnaire (IAQPSA) was administered to staffs at the Federal Inland Revenue Service. Out of three hundred and eighty five (385) questionnaires administered to the respondents, three hundred and twenty (320) were retrieved and validated and useful for analysis, yielding a response rate of 83.1%.

#### 4.1 Demographic Data Analysis

**Table 4.1: Gender of Respondents (N=320)**

		Frequency	Percent
Valid	Male	228	71.3
	Female	92	28.8
	Total	320	100.0

Source: Researcher's Fieldwork (2024)



**Figure 4.1: Gender of Respondents**

From the above Table 4.1 and figure 4.1, 71.3% (228) of the respondents are male, while 28.8% (92) of the respondents are female. This shows that, majority of the respondents are Male.

**Table 4.2: Age of Respondents (N=320)**

		Frequency	Percent
Valid	less than 30 years	15	4.7
	31-40 years	274	85.6
	41-50 years	17	5.3
	51 Years and above	14	4.4
	Total	320	100.0

Source: Researcher's Fieldwork (2024)

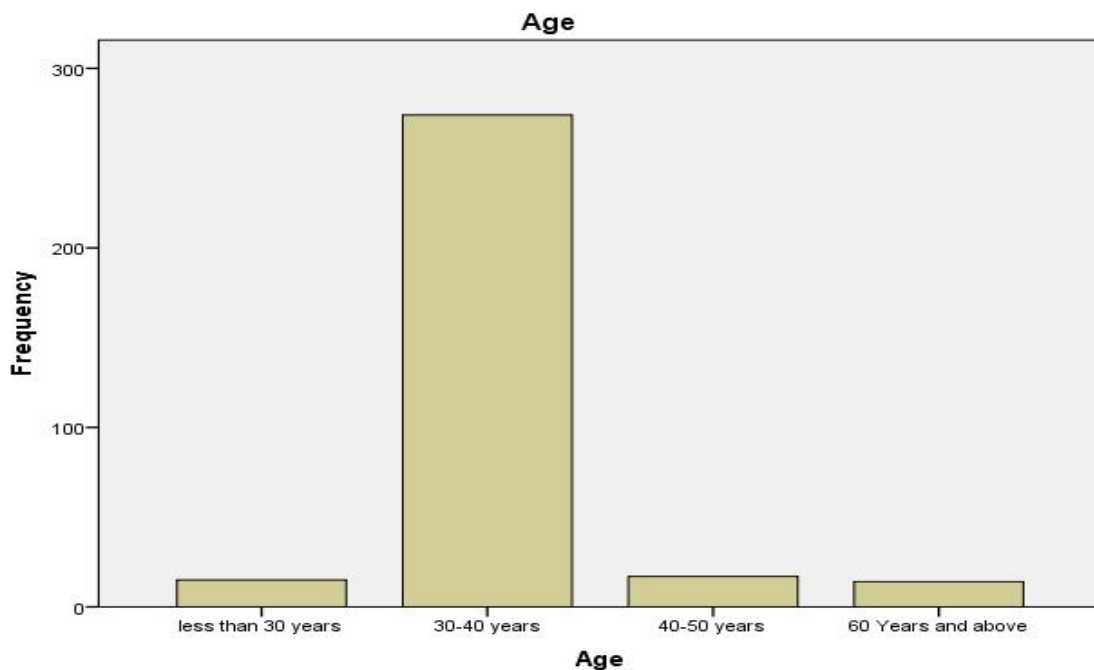


Figure 4.2: Age of Respondents

Source: Researcher's Fieldwork (2024)

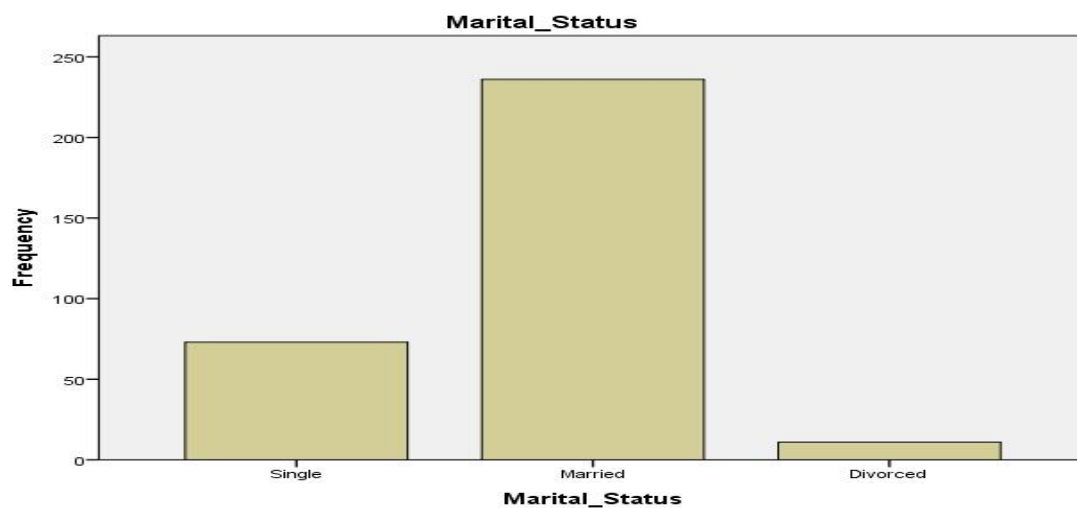
Table 4.2 show the age distribution of respondents. From the Table, it was revealed that 4.7% (15) were less than 30 years, 85.6% (274) of the respondents were within 30-40 years, 5.3% (17) of the respondents were within the age range of 40 and 50 years, while 4.4% of the respondents

were 50 years and above. This shows that, those that fall within the age range of 30 and 40 years are more in this study.

**Table 4.3: Marital Status of Respondents (N=320)**

		<b>Frequency</b>	<b>Percent</b>
Valid	Single	73	22.8
	Married	236	73.8
	Divorced	11	3.4
	Total	320	100.0

Source: Researcher’s Fieldwork (2024)



**Figure 4.3: Marital Status of Respondents**

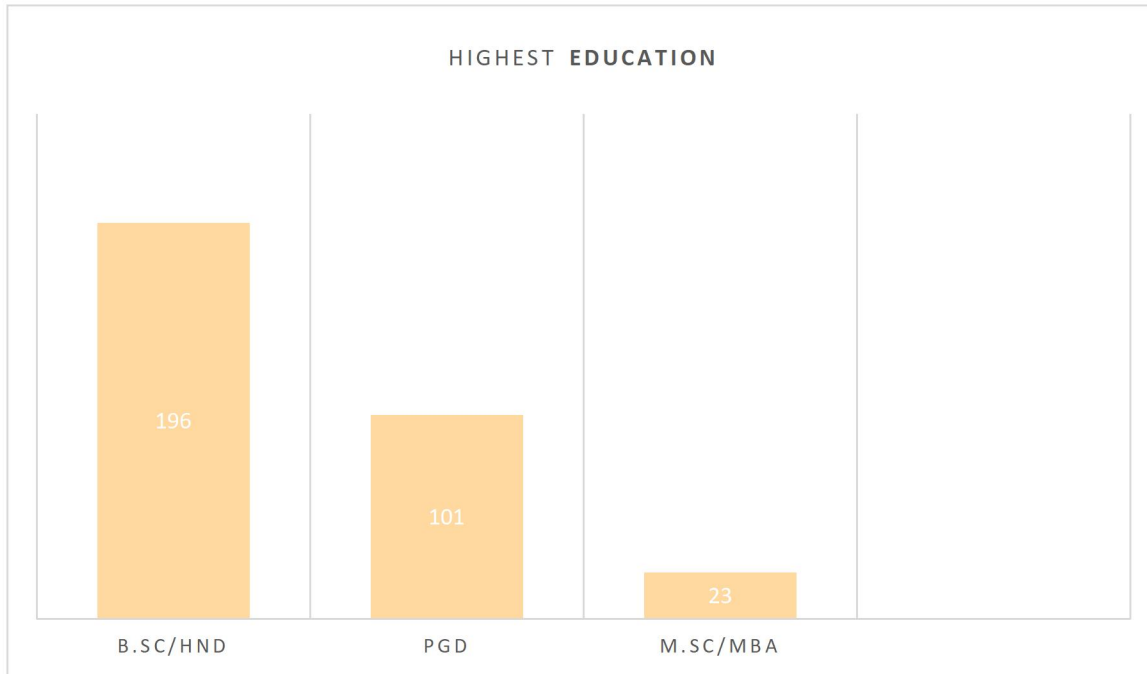
From Table and Figure 4.3, 22.8% (73) of the respondents are single, 73.8% (236) of the married, while 3.4% (11) of the respondents are separated. This shows that majority of the respondents are married



**Table 4.4: Educational Level of Respondents (N=320)**

	<b>Frequency</b>	<b>Percent</b>
Valid B.Sc./HND	196	61.3
PGD	101	31.5
M.Sc/MBA	23	7.2
Total	320	100.0

**Source: Researcher's Fieldwork (2022)**



**Figure 4.4: Educational Status of Respondents**

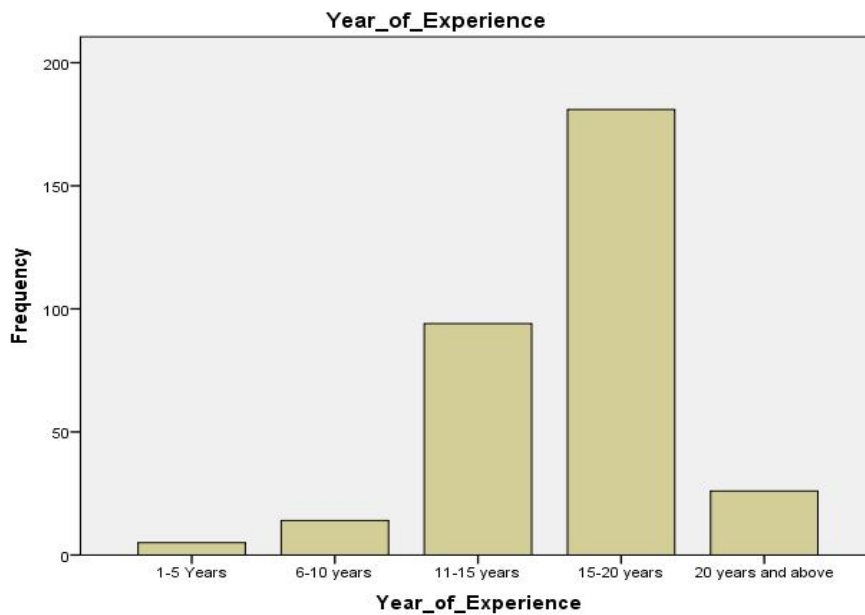
**Source: Researcher's Fieldwork (2024)**

From Table and figure 4.4, 61.3% (196) of the respondents have Bachelors degree/HND, 31.5% (101) of the respondents have PGDE, while 7.2% (23) of the respondents hold MSc./MBA certificate. This implies that degree holders (BSc./HND) are more in the study.

**Table 4.5: Years of Experience of Respondents (N=320)**

		<b>Frequency</b>	<b>Percent</b>
Valid	1-5 Years	5	1.6
	6-10 years	14	4.4
	11-15 years	94	29.4
	15-20 years	181	56.5
	20 years and above	26	8.1
	Total	320	100.0

**Source: Researcher's Fieldwork, 2024.**



**Figure 4.5: Years of Experience of Respondents**

**Source: Researcher's Fieldwork, 2024.**

Table 4.5 shows the years of experience distribution of the respondents. From the Table, 1.6% (5) of the respondents have working experience between 1-5 years, 4.4% (14) of the respondents have 6-10 years working experience, 29.4% (94) of the respondents have experience between 11-15 years. Also, 56.6% (185) of the respondents have working experience between 15-20 years, while 8.1 (26) of the respondents have working experience for over 20 years. This clearly implies that most of the staff of FIRS in Oyo State are well experienced.

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## 4.2 Presentation of Research Questions

**Research Question One:** What is the effect of effect of Internal Audit competence on compliance in Federal Inland Revenue Service?

**Table 4.6: Internal Audit Competence on Compliance**

S/N	Items	SA (%)	A (%)	D (%)	SD (%)	M	SD	Remark
1	FIRS provides adequate resources and support to help achieve revenue targets.	41 (12.8)	270 (84.4)	9 (2.8)	0 (0)	3.10	0.38	Agree
2	The performance evaluation and rewards system at FIRS align with revenue target achievement.	45 (14.1)	259 (80.9)	16 (5)	0 (0)	3.09	0.43	Agree
3	The revenue targets set by FIRS are in line with the organization's strategic goals and objectives.	0 (0)	254 (79.4)	59 (18.4)	7 (2.2)	2.77	0.47	Agree
4	FIRS provides clear and easily accessible guidelines for taxpayers regarding payment procedures.	131 (40.9)	168 (52.5)	21 (6.6)	0 (0)	3.34	0.60	Agree
5	Revenue collection at FIRS aligns with national economic goals and objectives and minimizes opportunities for tax evasion and fraud	15 (4.7)	185 (57.8)	103 (32.2)	17 (5.3)	2.61	0.66	Agree
<b>Weighted Mean = 2.98; S.D = 0.51; Overall Decision = Agree</b>								

**Source: Fieldwork, 2024**

**KEY:** SA = Strongly Agree (4), A = Agree (3), D = Disagree (2) and SD = Strongly Disagree (1); S.D = Standard Deviation

**\*\*\*Threshold:** mean value of 0.000-1.499 = Strongly Disagree (Very Bad); 1.500-2.499 = Disagree (Bad); 2.500-3.499 = Agree (Good); 3.500 to 4.500 = Strongly Agree (Very Good)

Table 4.6 shows the effect of Internal Audit competence on compliance in Federal Inland Revenue Service. The rating scale of 'strongly disagree (1)' to 'strongly agree (4)' was used. Five (5) items were used to measure effect of internal Audit quality on compliance. From the Table, majority 84.4% (270) agreed that FIRS provides adequate resources and support to help achieve revenue targets, 12.8% (41) strongly agreed, 2.8% (9) of the respondents disagreed, while none of the respondents strongly disagreed. Also, majority 80.9% (259) of the respondents agreed that revenue collection at FIRS aligns with national economic goals and objectives and minimizes opportunities for tax evasion and fraud, 14.1% (45) of the respondents strongly agreed, 5% (16) of the respondents disagreed, none strongly disagreed. Further, most of the respondents 79.4% (254) agreed that the revenue targets set by FIRS are in line with the organization's strategic goals and objectives, 18.4% (59) disagreed, 2.2% (7) of the respondents strongly disagreed, while none of the respondents strongly agreed. Moreover, majority 52.5% (168) agreed that FIRS provides clear and easily accessible guidelines for taxpayers regarding payment procedures, 40.9% (131) strongly agreed, 6.6% (21) of the respondents disagreed while none strongly disagreed. Similarly, most 57.8% (185) of the respondent agreed that FIRS compliance process are regularly reviewed and updated to reflect changing needs and circumstances, any violations are consistently addressed and appropriate actions are taken, 32.2% (103) of the respondents disagreed, 5.3% (17) strongly disagreed while 4.7% (15) of the respondents strongly agreed. The Table generally reveals that the effect of Internal Audit competence on compliance in Federal Inland Revenue Service is good (**Weighted Mean = 2.83; S.D = 0.49**).

**Research Question Two:** What is the effect of Internal Audit control on meeting the revenue targets in Federal Inland Revenue Service?

**Table 4.7: Internal Audit Control on Meeting the Revenue Targets**

S/N	Items	SA (%)	A (%)	D (%)	SD (%)	M	SD	Remark
1	Internal Audit plays a crucial role in controlling revenue collection processes at FIRS.	128 (40)	161 (50.3)	31 (9.7)	0 (0)	3.30	0.64	Agree (Good)
2	Internal Audit effectively identifies weaknesses and vulnerabilities in the revenue collection system	65 (20.3)	255 (79.7)	0 (0)	0 (0)	3.20	0.40	Agree (Good)
3	The control activities of Internal Audit enhance the accuracy and reliability of revenue data.	23 (7.2)	265 (82.8)	32 (10)	0 (0)	3.01	0.57	Agree (Good)
4	Internal Audit ensures that revenue collection activities are carried out in compliance with established regulations and guidelines.	34 (10.6)	277 (86.6)	9 (2.8)	0 (0)	3.08	0.36	Agree (Good)
5	The reports and feedback provided by Internal Audit are valuable for decision-making and revenue improvement strategies	39 (12.2)	180 (56.3)	101 (31.6)	0 (0)	2.81	0.63	Agree (Good)
<b>Weighted Mean = 2.93 S.D = 0.52; Overall Decision = Agree (Good)</b>								

**Source:** Fieldwork, 2022

**KEY:** SA = Strongly Agree (4), A = Agree (3), D = Disagree (2) and SD = Strongly Disagree (1); S.D = Standard Deviation

**\*\*\*Threshold:** mean value of 0.000-1.499 = Strongly Disagree (Very Bad); 1.500-2.499 = Disagree (Bad); 2.500-3.499 = Agree (Good); 3.500 to 4.500 = Strongly Agree (Very Good)

Table 4.7 shows the effect of Internal Audit control on meeting the revenue targets in Federal Inland Revenue Service. The rating scale of Strongly Disagree (1) to 'Strongly Agree (4)' was used. Five(5) items were used to measure the effect of Internal Audit control on meeting the revenue targets. All the items are remarked "Agree (Good)". This implies that a significant majority, 90.3% (289 out of 320), comprising those who agreed (50.3%) and strongly agreed (40%), opined that Internal Audit plays a crucial role in controlling revenue collection processes. This suggests a high level of confidence in Internal Audit's essential function within FIRS. The high mean score of 3.30 with a standard deviation of 0.64 further affirms this belief among respondents. Also, an overwhelming 100% (320 out of 320) of respondents agree (79.7%) or strongly agree (20.3%) that Internal Audit effectively identifies weaknesses and vulnerabilities in the revenue collection system. This indicates a strong trust in Internal Audit's capability to pinpoint and report system flaws. The mean score of 3.20 with a low standard deviation of 0.40 reflects a consensus among the respondents about this capability.

Further, a majority of 90% (288), through agreement (82.8%) and strong agreement (7.2%), consider that the control activities of Internal Audit enhance the accuracy and reliability of revenue data. The mean score is 3.01 with a standard deviation of 0.57, showing good confidence in the accuracy and reliability due to Internal Audit. Similarly, most respondents, 97.2% (311), consisting of those who agreed (86.6%) and strongly agreed (10.6%), affirm that Internal Audit ensures compliance with established regulations and guidelines. A mean of 3.08 and a standard deviation of 0.36 indicate strong agreement on this point. Majority 68.5% (219) agreeing (56.3%) or strongly agreeing (12.2%) reports from Internal Audit are valuable for decision-making and strategies for revenue improvement. However, a significant 31.6% disagree, showing some concerns or dissatisfaction with the actionable quality or the perceived impact of these reports.



The mean score of 2.81 and a standard deviation of 0.63 reflect the most variation among the responses.

Overall, the table revealed that with a weighted mean of 2.93 and a standard deviation of 0.52, indicates that the respondents believe that Internal Audit control on meeting the revenue targets in Federal Inland Revenue Service is good (**Weighted Mean = 2.93; S.D = 0.52**).

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**Research Question Three:** Does Internal Audit monitoring have impact on revenue collection in Federal Inland Revenue Service?

**Table 4.8: Internal Audit Monitoring Impact on Revenue Collection**

S/N	Items	SA (%)	A (%)	D (%)	SD (%)	M	SD	Remark
1	Internal Audit reports its findings and recommendations without external influence or pressure	22 (6.9)	256 (84.4)	29 (9.1)	13 (4.1)	2.90	0.56	Agree (Good)
2	The monitoring of Internal Audit has a significant impact on FIRS's ability to meet its revenue targets.	186 (58.1)	103 (33.2)	7.5 (24)	7 (2.2)	3.46	0.73	Agree (Good)
3	The recommendations made by the Internal Audit department are typically followed through with and implemented effectively, leading to improved revenue collection.	14.4 (46)	234 (73.1)	40 (12.5)	0 (0)	3.02	0.52	Agree (Good)
4	Internal Audit is free to conduct audits and investigations without fear of reprisal or interference	110 (34.4)	143 (44.7)	67 (20.9)	0 (0)	3.13	0.73	Agree (Good)
5	Internal Audit's independence positively contributes to the accuracy and reliability of financial data used for revenue forecasting.	38 (11.9)	159 (49.7)	123 (38.4)	0 (0)	2.73	0.66	Agree (Good)
<b>Weighted Mean = 3.05; S.D = 0.64; Overall Decision = Agree (Good)</b>								

**Source:** Fieldwork, 2022

**KEY:** SA = Strongly Agree (4), A = Agree (3), D = Disagree (2) and SD = Strongly Disagree (1); S.D = Standard Deviation

**\*\*\*Threshold:** mean value of 0.000-1.499 = Strongly Disagree (Very Bad); 1.500-2.499 = Disagree (Bad); 2.500-3.499 = Agree (Good); 3.500 to 4.500 = Strongly Agree (Very Good)

Table 4.8 shows Internal Audit monitoring impact on revenue collection. From the Table, majority 84.4% (256) of the respondents agreed that Internal Audit reports its findings and recommendations without external influence or pressure, 9.1 (29) of the respondents disagreed, 6.9% (22) of the respondents strongly disagreed, while 4.1% (13) of the respondents strongly disagreed. Also, most of the respondents 58.1% (186) of the respondents strongly agreed that the monitoring of Internal Audit has a significant impact on FIRS's ability to meet its revenue targets, 33.2% (102) of the respondents agreed, 7.5% (24) of the respondents disagreed while 2.2% (7) of the respondents strongly disagreed. Further, majority 73.1% (234) of the respondents agreed that the recommendations made by the Internal Audit department are typically followed through with and implemented effectively, leading to improved revenue collection, 14.4% (46) of the respondents strongly agreed, 12.5% (40) disagreed, while none of the respondents strongly disagreed.

Similarly, a major fraction 44.7% (143) of the respondents agreed that Internal Audit is free to conduct audits and investigations without fear of reprisal or interference, 34.4% (110) of the respondents strongly agreed, 20.9% (67) of the respondents disagreed, while none of the respondents strongly disagreed. On the statement “Internal Audit's monitoring positively contributes to the accuracy and reliability of financial data used for revenue forecasting”, majority of the respondents 49.7% (159) of the respondents agreed, 38.4% (123) of the respondents disagreed, 11.9% (38) of the respondents agreed, none of the respondents strongly disagreed. The Table generally reveals that the impact of Internal Audit monitoring on revenue collection in Federal Inland Revenue Service as opined by the respondents is good (**Weighted Mean = 3.05; S.D = 0.52**).

**Research Question Four:** What is the effect of Internal Audit quality on public sector performance accountability in Federal Inland Revenue Service?

**Table 4.9: Internal Quality on Public Sector Performance Accountability**

S/N	Items	SA (%)	A (%)	D (%)	SD (%)	M	SD	Remark
1	The internal audit function in FIRS effectively identifies and reports compliance issues.	235 (73.5)	85 (26.5)	0 (0)	0 (0)	4.02	0.57	Strongly Agree (Very Good)
2	Internal audit reports at FIRS are clear, accurate, and useful for improving compliance with the rules of engagement	224 (69.9)	81 (25.3)	12 (3.6)	3.8 (1.2)	3.89	0.50	Strongly Agree (Very Good)
3	The internal audit department at FIRS conducts regular and thorough assessments of compliance with rules and regulations	228 (71.1)	92 (28.9)	0 (0)	0 (0)	3.95	0.45	Strongly Agree (Very Good)
4	The internal audit department at FIRS provides valuable insights and recommendations for continuous improvement in compliance efforts	191 (59.8)	129 (40.2)	0 (0)	0 (0)	3.90	0.50	Strongly Agree (Very Good)
5	All audits are carried out with confidentiality and established code of conduct	15 (4.7)	185 (57.8)	103 (32.2)	17 (5.3)	2.61	0.66	Agree (Good)
<b>Weighted Mean = 3.67; S.D = 0.54; Overall Decision = Strongly Agree (Very Good)</b>								

**Source: Fieldwork, 2024**

**KEY:** SA = Strongly Agree (4), A = Agree (3), D = Disagree (2) and SD = Strongly Disagree (1); S.D = Standard Deviation

**\*\*\*Threshold:** mean value of 0.000-1.499 = Strongly Disagree (Very Bad); 1.500-2.499 = Disagree (Bad); 2.500-3.499 = Agree (Good); 3.500 to 4.500 = Strongly Agree (Very Good)

Table 4.9 shows the effect of Internal Audit quality on public sector performance accountability in Federal Inland Revenue Service. The rating scale of 'strongly disagree (1)' to 'strongly agree (4)' was used. From the Table, a vast majority of respondents, 100% (320 out of 320), comprising those who strongly agreed (73.5%) and agreed (26.5%), believe that the internal audit function effectively identifies and reports compliance issues. This high level of agreement, indicated by a mean score of 4.02 and a standard deviation of 0.57, suggests excellent performance in this area, leading to a remark of "Strongly Agree (Very Good)." Most respondents, 95.2% (305 out of 320), either agree (25.3%) or strongly agree (69.9%) that internal audit reports are clear, accurate, and useful for improving compliance. This report, combined with a small percentage who disagree (3.6%), shows a strong endorsement of the reports' quality and relevance, reflected in a mean score of 3.89 and a standard deviation of 0.50.

Further, a total agreement of 100% (320 out of 320) from respondents, with 71.1% strongly agreeing and 28.9% agreeing, indicates that the internal audit regularly and thoroughly assesses compliance with rules and regulations. This strong agreement is highlighted by a mean score of 3.95 and a standard deviation of 0.45. Similarly, a significant majority, 100% (320 out of 320), believe that the internal audit department provides valuable insights and recommendations for continuous improvement in compliance efforts, with 59.8% strongly agreeing and 40.2% agreeing. The mean score of 3.90 and a standard deviation of 0.50 suggest strong approval of the department's contributions to enhancing compliance processes. Majority 62.5% (200) agree, but 32.2% disagree, and 5.3% strongly disagree, indicating some concerns about how audits are conducted regarding confidentiality and adherence to the code of conduct. The lower mean score of 2.61 and a higher standard deviation of 0.66 reflect this division among respondents.

The overall weighted mean of 3.67 and a standard deviation of 0.54, with an overall decision of "Strongly Agree (Very Good)," demonstrates a high level of satisfaction with the internal audit's role in enhancing public sector performance accountability at FIRS (**Weighted Mean = 3.67; S.D = 0.54**) which is very good.

#### 4.3: Presentation of Hypotheses

**H<sub>01</sub>:** To what extent does combined influence of Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit quality on public sector performance accountability in Federal Inland Revenue Service

**Table 4.10: ANOVA Combined Influence of Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit Quality on Public Sector Performance Accountability in Federal Inland Revenue Service.**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.391	2	1.195	14.575	.000 <sup>b</sup>
	Residual	73.509	317	1.987		
	Total	75.900	319			

**a. Dependent Variable: Performance Accountability in FIRS**

**b. Predictors: (Constant), Internal Audi**

**t competence, Internal Audit control, Internal Audit monitoring and Internal Audit Quality**

**Source: SPSS Computation 23.0**

***Fvalue is significant at P<0.05***

**4.11 Model Summary of Combined Influence of Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit Quality on Public Sector Performance Accountability in Federal Inland Revenue Service.**

**Model Summary**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.448 <sup>a</sup>	.701	.620	.30817

**a. b. Predictors: (Constant), Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit Quality**

**Source: SPSS Computation 23.0**

Table 4.10 and 4.11 shows the model summary and ANOVA of multiple regression analysis for the combined influence of Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit quality on public sector performance accountability in Federal Inland Revenue Service. The table shows that the F- value is 14.575 and the p-value is .000 (F= 14.575, P<0.05) which is much less than 0.05 and highly significant since p-value (.000 < 0.05) at 95% confidence level. The F-test rejects the null hypothesis that states none of the independent variables have a significant relationship with public sector performance accountability in Federal Inland Revenue Service and it can be concluded that there exists variation in Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit quality on public sector performance accountability in Federal Inland Revenue Service and the relationship is significant which means that the regression model is a good fit of the data. This suggests that Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit quality significantly influence public sector performance accountability in Federal Inland Revenue Service. The model summary on Table 4.11 shows the R<sup>2</sup> value of 0.71 which implies

that 71% variation in public sector performance accountability in Federal Inland Revenue Service. (dependent variable) could be explained by the independent variables (combined influence of Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit quality). The remaining 29% is explained by other factors outside the model and the error term. An  $R^2$  value greater than 0.5 means that the model is effectively enough to determine the relationship. In this case, the value is 0.62, which is also good. The adjusted  $R^2$  value shows that 62% of the variance in public sector performance accountability in Federal Inland Revenue Service is explained only by the independent variables which are to be kept in the model. This therefore means that the remaining 38% could be a result of other predictors included or added to the model that do not have a significant prediction on academic achievement in literacy of preschool children. Furthermore, the very little difference between the  $R^2$  value and Adjusted  $R^2$  value (that is,  $0.71 - .62 = .09$ ) indicates a very good fit of the model because the closer the  $R^2$  value is to the adjusted  $R^2$ , the better the fit of the model.

**H<sub>02</sub>:** There will be no significant relative influence of Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit quality on public sector performance accountability in Federal Inland Revenue Service



**Table 4.12: Coefficients of Multiple Regression Analysis of Relative Influence of Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit Quality on Public Sector Performance Accountability in Federal Inland Revenue Service**

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.571	.331		7.098	.000
	Internal competence	Audit .112	.047	.147	2.357	.019
	Internal control	Audit .121	.113	.202	1.064	.008
	Internal monitoring	Audit .150	.052	.302	3.120	.000
	Internal Quality	Audit .101	.100	.198	1.768	.000

**a. Dependent Variable:** Public Sector Performance Accountability in Federal Inland Revenue Service

**Source: SPSS Computation 23.0**

Table 4.8 shows the coefficients of multiple regression analysis for the relative influence of Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit quality on public sector performance accountability in Federal Inland Revenue Service. These results of the table implies that Internal Audit competence (Beta = .147; t = 2.357; Significance = .019), Internal Audit control (Beta = .202; t = 1.064; Significance = .008), Internal Audit monitoring (Beta = .302; t = 3.120; Significance = .000), Internal Audit Quality (Beta = .198; t = 1.786; Significance = .000) which are significant at  $P > 0.05$  structure explained the variance in in Federal Inland Revenue Service and therefore needed in the model. Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit quality have a positive relationship with public sector performance accountability in Federal Inland Revenue Service as

depicted by their positive B value of .112, .121, .150 and .101 respectively. This result implies that as it increase, the dependent variable also increases. It therefore means that Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit quality influenced Public Sector Performance Accountability in this study. For a unit change in Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit quality .112, .121, .150 and .101 respectively there is an increase in Public Sector Performance Accountability as depicted by the positive value of B.

Similarly, the computed empirical value of F-test is 14.575 which is significant at  $p=0.00$ . It is therefore concluded that the F-test is statistically significant. The independents variables (Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit quality ) statistically and significantly predict the dependent variable (Public Sector Performance Accountability). This therefore accomplished part of the research aim “To establish the influence of Internal Audit on public sector performance accountability. Hence, the null hypothesis should be rejected because the test is statistically significant. Therefore, the whole regression is statistically significant.

#### **4.4 Discussion of Findings**

This research investigated the influence of Internal Audit on public sector performance. In the discussion of the findings, the results of the research are shown and compared to the results of other studies to see if there are any differences or similarities. In this study, demographic information of the respondents were analysed, four research questions were answered and two hypotheses were tested.

Results of the demographic data analysis of the respondents showed that 71.3% (228) of the respondents are male, while 28.8% (92) of the respondents are female. This shows that male FIRS staff are more in this study. This shows that, majority of the FIRS staff in Oyo State are Male. The results also showed those that fall within the age range of 31 and 40 years are more in this study, 4.7% (15) were less than 30 years, 5.3% (17) of the respondents were within the age range of 41 and 50 years, while 4.4% of the respondents were 51 years and above. Also, majority 73.8% (236) of the respondents are married, 22.8% (73) of the respondents are single and 3.4% (11) of the respondents are separated. This suggests that a major portion of the respondents in FIRS Oyo state are married. Findings of the study further showed degree holders 61.3% (196) (BSc./HND) are more in the study, which is an indication that majority of FIRS staff are either university or polytechnic graduates. 31.5% (101) of the respondents have PGDE, while 7.2% (23) holds MSc./MBA certificate. These collaborates the findings in a study on Tax audit and tax productivity in Lagos state, Nigeria which reported 202 (57.7 percent) of the respondents are male, while 148 (42.3 percent) are female. Majority, 182 (52 percent) are married, 148 (42.3 percent) are single, while 20 (5.7 percent) are divorced. This indicates that there are many responsible staff in the agency. Also, 42 (12 percent) are OND holders. In total, 98 (28 percent) are HND, 130 (37.1) are BSc holders, 49 (14 percent) are MSc, while the PhD and other professionals are 31 (9 percent) respondents. This implies that the staff members of the agency are well educated<sup>1</sup>.

Further, majority of the respondents, 56.6% (185) of the respondents have working experience between 15-20 years, 41.6% (5) of the respondents have working experience between 1-5 years, 4.4% (14) of the respondents have 6-10 years working experience, 29.4% (94) of the respondents have experience between 11-15 years while 8.1 (26) of the respondents have working experience for over 20 years. This clearly indicates that most of the Oyo State FIRS staff are well experienced. This result opposes a findings on “Leadership Style: An Empirical Analysis of Federal Inland Revenue Service, Gombe” which revealed that majority 47% of the respondents were employed 5-10 years, 41% were employed in less than 5 years, 11-15 years has 10% while 16 and above years has 2%<sup>2</sup>.

Findings from research question one shows that the majority of respondents (84.4%) affirmed that FIRS provides adequate resources and support to help achieve revenue targets, with an additional 12.8% expressing strong agreement. This strong consensus indicates that FIRS is perceived as sufficiently equipped to meet its operational demands. This perception is crucial for the morale and efficiency of the staff, as adequate resources can significantly enhance the ability to meet set targets. Only a minimal percentage (2.8%) disagreed with this sentiment, suggesting that concerns about resource inadequacy are not widespread among the workforce. Regarding the alignment of revenue collection efforts with national economic objectives and the minimization of tax evasion and fraud, 80.9% of respondents agreed with this statement, and 14.1% strongly agreed. These figures suggest a robust alignment of FIRS's operations with broader economic policies, which is essential for the credibility and effectiveness of the tax system. The alignment also supports the integrity of the tax system by limiting opportunities for evasion and fraud. Findings also revealed a slightly less positive perception concerning the alignment of revenue targets with the organization's strategic goals, where 79.4% agreed but 18.4% disagreed, and a small portion (2.2%) strongly disagreed. The disagreement might indicate a gap between set targets and perceived strategic objectives, which could lead to challenges in target realization and operational focus.

A mixed response was noted on the clarity and accessibility of guidelines for taxpayers. While a majority (52.5%) agreed that FIRS provides clear guidelines, a significant portion (40.9%) strongly agreed, suggesting a substantial overall approval of the FIRS's efforts in making tax payment procedures understandable and accessible. This is vital for ensuring taxpayer compliance and reducing administrative barriers. Responses concerning the review and updating of compliance processes to reflect changing conditions were diverse. While 57.8% agreed that

FIRS effectively updates and reviews its compliance processes, a notable percentage (32.2%) disagreed, and 5.3% strongly disagreed. This discrepancy could point to areas where FIRS might need to enhance its adaptability and responsiveness to changing tax environments and regulatory requirements.

Overall, the internal audit competence has a good overall effect on compliance at FIRS, as denoted by a weighted mean of 2.83 out of 4 and a standard deviation of 0.49 (Weighted Mean = 2.83; S.D = 0.49). The positive mean score underscores the effectiveness of the internal audit functions in maintaining compliance standards within FIRS. The findings suggest that FIRS is largely successful in providing the necessary resources and support to its staff, aligning its operations with national economic goals, and providing clear guidelines to taxpayers. However, there are areas of concern regarding the alignment of revenue targets with strategic objectives and the adaptability of compliance processes. Enhancing strategic alignment and increasing the responsiveness of compliance procedures could further improve FIRS's effectiveness and efficiency. Overall, the results reflect a generally positive perception of FIRS's operations, but they also highlight specific areas where improvements could be made to optimize performance and adapt to changing fiscal environments. This finding is corroborated by a study that reported that the competence of internal auditors significantly influenced internal audit effectiveness within Nigeria's Federal Public Service, which manages a substantial portion of the nation's public revenues<sup>3</sup>. Another research also emphasized the importance of internal audit competence, showing that it had a positive and significant contribution to internal audit's ability to meet its objectives<sup>4</sup>.

Findings from research question two showed that a significant majority of 90.3% of respondents affirm the crucial role of Internal Audit in controlling these processes, with a high mean score of

3.30 and a standard deviation of 0.64, indicating strong confidence in the audit's ability to manage and oversee efficiently. This suggests that the internal audit mechanisms in place are perceived as robust and influential. Furthermore, all respondents agree that Internal Audit effectively identifies weaknesses in the revenue collection system, which highlights a widespread trust in the audit's diagnostic capabilities. This unanimous agreement, along with a mean score of 3.20 and a low standard deviation of 0.40, reflects a consensus on the audit's capability to pinpoint and report system flaws accurately.

Additionally, 90% of respondents believe that the control activities of Internal Audit enhance the accuracy and reliability of revenue data, underlining good confidence in these processes as reflected by a mean score of 3.01 and a standard deviation of 0.57. Also, a large majority of 97.2% affirm that Internal Audit ensures compliance with established regulations and guidelines, with a mean score of 3.08 and a standard deviation of 0.36, indicating strong agreement on this point. However, there are some concerns or dissatisfaction noted, as 31.6% of respondents disagree that reports from Internal Audit are valuable for decision-making and strategies for revenue improvement. This significant minority shows that while Internal Audit is valued for its regulatory and oversight functions, its contributions to strategic decision-making and revenue improvement are not as highly regarded. This is further reflected in the more varied responses for this item, with a mean score of 2.81 and a standard deviation of 0.63. Overall, there is a good overall perception of Internal Audit's control in meeting the revenue targets at FIRS, with a weighted mean of 2.93 and a standard deviation of 0.52 (Weighted Mean = 2.93; S.D = 0.52). These findings suggest that while there is strong appreciation for the functional aspects of Internal Audit, there may be areas for improvement in enhancing its impact on strategic decision-making and revenue optimization. This result is in line with the findings of a study that

demonstrated that tax audits significantly influence various types of tax revenues including petroleum profit tax, company income tax, and value-added tax. The research underscores the effectiveness of tax audits in enhancing revenue generation for the Federal Inland Revenue Service of Nigeria<sup>5</sup>. Another research highlighted that forensic audit services play a significant role in mitigating tax fraud, thereby improving tax revenue generation in Nigeria. This study suggests the importance of audit quality in achieving revenue targets<sup>6</sup>.

Findings from research question three shows that the majority of respondents, 84.4%, believe that Internal Audit reports its findings and recommendations without external influence or pressure, indicating a strong sense of independence within the department. This perspective is critical for the credibility of the audit process, ensuring that findings are viewed as impartial and based solely on the audit criteria without undue influence. Despite this strong affirmation of independence, there is a notable minority, 20.1%, who disagreed or strongly disagreed with the statement, suggesting some concerns about the complete autonomy of Internal Audit. This division might reflect differing experiences or perceptions of internal pressures and could indicate areas where the perception of independence could be strengthened.

In terms of the impact of Internal Audit's monitoring on FIRS's ability to meet its revenue targets, a significant majority, 91.3%, agreed or strongly agreed that it has a significant effect. This indicates a high level of confidence in the audit's role in enhancing revenue collection effectiveness. However, a small minority, 9.7%, disagreed, highlighting some skepticism about the extent or nature of this impact. Regarding the implementation of recommendations made by Internal Audit, 87.5% of respondents felt that these are typically followed through with and effectively implemented, leading to improved revenue collection. This high rate of agreement suggests that not only are the audit's recommendations taken seriously, but they are also acted

upon in a manner that positively impacts revenue collection outcomes. On the autonomy of Internal Audit to conduct audits and investigations, 79.1% agreed or strongly agreed that the department operates without fear of reprisal or interference. This perception supports a view of Internal Audit as an empowered body within FIRS, though the 20.9% who disagreed may indicate some perceived limitations or challenges in this regard. Regarding the contribution of Internal Audit's monitoring to the accuracy and reliability of financial data used for revenue forecasting, there was a mixed response. While 61.6% agreed with the statement, a substantial 38.4% disagreed. This discrepancy might reflect differing views on the effectiveness of Internal Audit's role in ensuring data integrity or could highlight areas where improvements in monitoring practices are needed. Overall, the survey suggests that the impact of Internal Audit monitoring on revenue collection in FIRS is generally viewed positively, with a weighted mean of 3.05 and a standard deviation of 0.52. While there are areas of strong confidence and perceived effectiveness, the responses also indicate some concerns and areas for potential improvement, particularly in ensuring the autonomy of Internal Audit and the uniform acceptance of its role in enhancing data accuracy and reliability (Weighted Mean = 3.05; S.D = 0.52). This findings is in line with a study that examined tax administration and its impact on tax revenue generation, highlighting the role of tax audit mechanisms as essential for monitoring tax collection effectively, thus supporting improved revenue outcomes<sup>7</sup>. Also in an empirical study demonstrating that tax audit has a statistically significant effect on increasing revenue from petroleum profit tax, company income tax, and value-added tax. The study concludes that strengthened audit departments can enhance revenue collection<sup>8</sup>. In a study on the impact of forensic accounting within the Federal Inland Revenue Service suggests that integrating robust auditing practices can improve revenue generation, although it notes that forensic accounting



was not a major contributing factor during the study period. It recommends enhancing forensic auditing capabilities to boost revenue collection efforts<sup>9</sup>. These studies corroborate the view that effective internal audit monitoring is pivotal for optimizing revenue collection in the Federal Inland Revenue Service.

Findings from research question four shows that a unanimous 100% of respondents acknowledge that the internal audit successfully identifies and reports compliance issues, as well as regularly and thoroughly assesses adherence to rules and regulations. This agreement is further underscored by high mean scores, close to or above 4.00, and relatively low standard deviations, indicating a strong agreement among the participants. Additionally, in terms of the quality and utility of internal audit reports with 95.2% of respondents affirming their clarity, accuracy, and usefulness in enhancing compliance efforts. The mean score of 3.89 and a standard deviation of 0.50 for this aspect reflect a strong positive perception among the majority. However, there are noted concerns regarding the confidentiality and adherence to the code of conduct in how audits are conducted, with only 62.5% agreeing and a significant 37.5% expressing disagreement to varying degrees. This aspect has the lowest mean score of 2.61 and the highest standard deviation of 0.66, indicating a more divided opinion among respondents compared to other areas. Overall, the result illustrates a high level of satisfaction with the internal audit's role in enhancing public sector performance accountability, as indicated by an overall weighted mean of 3.67 (Weighted Mean = 3.67; S.D = 0.54) which is very good. Despite some areas of concern, the general agreement points to a very effective and beneficial internal audit function at FIRS, supporting its vital role in governance and compliance processes. These findings is corroborated by a study that investigated the impact of auditor proficiency and audit quality on internal audit effectiveness in Nigeria's Federal Public Service, finding that auditor competence significantly

enhances audit effectiveness, thereby supporting accountability in public sector organizations, including FIRS<sup>3</sup>. Another study highlighted the positive relationship between the quality of internal audit functions and public sector performance, demonstrating the internal audit's crucial role in enhancing accountability and performance in the public sector, including entities like FIRS<sup>10</sup>.

Further, findings from hypothesis one showed that there is a significant combined influence of Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit quality on public sector performance accountability in Federal Inland Revenue Service. The F-test rejects the null hypothesis that states none of the independent variables have a significant relationship with public sector performance accountability in Federal Inland Revenue Service (F= 14.575, P<0.05) and it can be concluded that there exists variation in Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit quality on public sector performance accountability in Federal Inland Revenue Service and the relationship is significant which means that the regression model is a good fit of the data. This suggests that Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit quality significantly influence public sector performance accountability in Federal Inland Revenue Service. The computed empirical value of F-test is 14.575 which is significant at p=0.00. It is therefore concluded that the F-test is statistically significant. The independent variables (Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit quality ) statistically and significantly predict the dependent variable (Public Sector Performance Accountability). This therefore accomplished part of the research aim “To establish the influence of Internal Audit on public sector performance accountability. These findings are supported by a study that investigated the impact of internal control systems on the

quality of financial reporting in the insurance industry in Nigeria. The study found that robust internal controls significantly enhance the quality of financial reporting, indicating that similar effects can be expected in public sector settings like the FIRS<sup>11</sup>. Another study analyzed the association between internal audit functions and public sector performance, demonstrating that quality of internal audit manpower and service significantly enhances public sector effectiveness, efficiency, and quality of service<sup>10</sup>.

Findings from hypothesis two also showed that there is a significant relative influence of Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit quality on public sector performance accountability in Federal Inland Revenue Service. Internal Audit competence (Beta = .147; t = 2.357; Significance = .019), Internal Audit control (Beta = .202; t = 1.064; Significance = .008), Internal Audit monitoring (Beta = .302; t = 3.120; Significance = .000), Internal Audit Quality (Beta = .198; t = 1.786; Significance = .000) which are significant at  $P > 0.05$  structure explained the variance in in Federal Inland Revenue Service. Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit quality have a positive relationship with public sector performance accountability in Federal Inland Revenue Service as depicted by their positive B value of .112, .121, .150 and .101 respectively. This result implies that as it increase, the dependent variable also increases. It therefore means that Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit quality influenced Public Sector Performance Accountability in this study. These findings are in line with a study that found that the competence and quality of internal audit significantly influence internal audit effectiveness in Nigeria's Federal Public Service, highlighting the importance of these factors in enhancing public sector performance<sup>3</sup>. Also a study that explored how internal audit quality impacts public sector management in Nigeria, showing that internal audit

competence, objectivity, challenges, and performance positively relate to effective public sector management and partly corroborates these findings<sup>12</sup>.

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## **Chapter Five**

### **Conclusion**

This chapter discusses a summary of the findings of the research, as well as the conclusion, recommendations, contributions to knowledge, and areas where additional research is needed.

#### **5.1 Summary of Findings**

The research investigated influence of Internal Audit quality on public sector performance accountability. The study analyzed demographic data, answered four research questions, and tested two hypotheses. Findings revealed that 71.3% (228) of the respondents are male, while 28.8% (92) of the respondents are female. Majority of the respondents fall within the age range of 31 and 40 years, 4.7% (15) were less than 30 years, 5.3% (17) of the respondents were within the age range of 41 and 50 years, while 4.4% of the respondents were 51 years and above. BSc./HND are 61,2% (196) more in this study. 4.4, 31.6% (101) of the respondents have PGDE, while 7.2% (23) of the respondents hold MSc./MBA certificate. Majority 73.8% (236) of the respondents are married, 22.8% (73) of the respondents are single and 3.4% (11) of the respondents are separated and lastly, majority of the respondents, 56.6% (185) have working experience between 15-20 years, 41.6% (5) of the respondents have working experience between 1-5 years, 4.4% (14) of the respondents have 6-10 years working experience, 29.4% (94) of the

respondents have experience between 11-15 years while 8.1 (26) of the respondents have working experience for over 20 years

Findings revealed that the effect of Internal Audit competence on compliance in Federal Inland Revenue Service is good (Weighted Mean = 2.83; S.D = 0.49). Also Internal Audit control on meeting the revenue targets in Federal Inland Revenue Service is good (Weighted Mean = 2.93; S.D = 0.52). Further, the impact of Internal Audit monitoring on revenue collection in Federal Inland Revenue Service as opined by the respondents is good (Weighted Mean = 3.05; S.D = 0.52) and a high level of satisfaction with the internal audit's role in enhancing public sector performance accountability at FIRS (Weighted Mean = 3.67; S.D = 0.54) which is very good.

Also, the study findings showed that there is a significant combined influence of Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit quality on public sector performance accountability in Federal Inland Revenue Service. The computed empirical value of F-test is 14.575 is significant at  $p=0.00$ . The independent variables (Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit quality) statistically and significantly predict the dependent variable (Public Sector Performance Accountability). Similarly, there is a significant relative influence of Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit quality on public sector performance accountability in Federal Inland Revenue Service. Internal Audit competence (Beta = .147;  $t = 2.357$ ; Significance = .019), Internal Audit control (Beta = .202;  $t = 1.064$ ; Significance = .008), Internal Audit monitoring (Beta = .302;  $t = 3.120$ ; Significance = .000), Internal Audit Quality (Beta = .198;  $t = 1.786$ ; Significance = .000) which are significant at  $P>0.05$  explained the variance in in Federal Inland Revenue Service.

## 5.2 Conclusion

This research has thoroughly explored the influence of internal audit on public sector performance accountability within the Federal Inland Revenue Service (FIRS) in Oyo State, Nigeria. The study aimed to assess how internal audit competence, control, monitoring, and quality collectively impact the organization's ability to meet revenue targets and uphold accountability standards. Data was collected from 320 FIRS employees using well-structured questionnaires and analyzed to provide comprehensive insights into the effectiveness of internal audit functions. The demographic data analysis revealed that the majority of the respondents are educated male staff, predominantly married, and have substantial experience within the organization, indicating a mature and stable workforce. The internal audit's role was evaluated across several parameters, including competence, control, monitoring, and quality, each showing significant positive impacts on the organization's performance and accountability. Respondents affirmatively recognized that FIRS provides adequate resources and support to achieve revenue targets. There is strong agreement that internal audit competence positively aligns with the organization's strategic goals, enhancing compliance and operational effectiveness.

The results indicated that internal audit controls are crucial for managing revenue collection processes effectively, ensuring that they are carried out in accordance with established guidelines. However, some areas such as the strategic impact of audit reports on decision-making were identified as needing improvement. It was observed that internal audit monitoring plays a critical role in enhancing revenue collection. The independence of the audit process from external influences ensures the reliability of audit findings, contributing significantly to the organization's ability to meet its revenue targets.

Also, the high satisfaction levels regarding internal audit quality reflect its efficacy in identifying compliance issues and ensuring adherence to rules and regulations. However, concerns about confidentiality and code of conduct adherence during audits suggest areas for potential enhancement. Statistical analyses, including multiple regression and ANOVA, confirmed the significant influence of internal audit attributes on public sector performance accountability. The data substantiated that internal audit functions, when effectively executed, are pivotal in enhancing performance and accountability within FIRS. The study substantiates that effective internal auditing significantly enhances public sector performance accountability at the FIRS. The positive impacts of internal audit competence, control, monitoring, and quality not only strengthen governance and compliance but also improve revenue collection capabilities.

### **5.3 Recommendations**

Based on the study findings, the following recommendations were made.

- 1 It is recommended that FIRS should ensure that internal audit activities are closely aligned with the organization's strategic goals. This can be achieved by regularly reviewing and updating the audit framework to reflect changes in organizational priorities and external regulatory environments. Enhanced alignment will not only improve compliance but also ensure that audit functions contribute effectively to achieving long-term strategic objectives.
- 2 Also, to improve internal audit competence, FIRS should invest in continuous professional development and training for audit staff. This includes providing access to the latest auditing tools and technologies, as well as training in emerging areas such as forensic auditing and cyber security. Well-trained and resourced audit teams are more likely to identify compliance issues and improve the quality of financial reporting and accountability.



- 3 FIRS should take measures to safeguard the independence of the internal audit function to ensure that audits are free from external influence and internal pressures. This can be facilitated by establishing a clear governance structure that supports the autonomy of the audit process and implementing policies that protect auditors from reprisals or interference during their investigations.
- 4 To maximize the impact of audit findings, FIRS should develop more effective mechanisms for feedback and the implementation of audit recommendations. This includes setting up a robust system for tracking the progress of recommendations, ensuring accountability for implementation, and integrating audit insights into decision-making processes at all levels of the organization. Additionally, improving the actionable quality of audit reports and ensuring they are user-friendly can enhance their utility in strategic planning and operational improvements.

#### **5.4 Contribution to Knowledge**

This study has contributed to knowledge in the following ways:

##### **1. Conceptual Review/Framework**

Conceptually, this study gave a deeper and richer insight to the concepts that were used in the study beyond those used in prior studies. The study, shows how important internal audit quality impact on the performance of FIRS.

##### **2. Theory**

The Stakeholder's Theory and Institutional theory were the major theories used in this study. This study contributes to knowledge by applying F. Edward Freeman's stakeholder theory

specifically within the context of internal auditing. By identifying auditors as key stakeholders, the study extends the conventional application of the theory beyond typical groups such as shareholders and employees to include auditors as crucial actors in the corporate ecosystem. This highlights the pivotal role auditors play not only as overseers of financial accuracy but also as influencers who affect and are affected by the organization's objectives. This broader application of stakeholder theory to include various internal and external groups enriches the discourse on corporate governance and accountability.

The study bridges two significant theoretical frameworks stakeholder and institutional theories illustrating their interconnectivity in enhancing corporate governance through internal auditing. By discussing how institutional norms and stakeholder expectations shape audit practices, the research underscores the necessity for audits to be not only compliant with regulatory standards but also responsive to the needs and expectations of a broader set of stakeholders. This integrated perspective offers a more holistic understanding of the audit function as both a compliance requirement and a strategic tool for stakeholder engagement and trust-building.

Also, through the lens of these theories, the study contributes to practical knowledge by suggesting mechanisms to ensure the independence of internal audits. This is pivotal as the independence of auditors is crucial for the credibility of audits. The application of stakeholder theory in this context underscores the potential consequences of compromised audit practices not only for compliance but also for stakeholder trust and organizational sustainability. By applying these theories, the study offers insights into corporate policy and strategy formulation. It suggests that understanding and addressing the expectations of a diverse group of stakeholders, as well as adhering to established institutional norms, are essential for effective audit practices. These insights can guide organizations in structuring their audit functions in ways that align with both

external regulatory requirements and internal stakeholder expectations, thereby enhancing overall corporate governance structures. The study extends the academic discussion on how effective and efficient audit operations can serve as a cornerstone for achieving broader corporate objectives, such as performance accountability and transparency. By grounding these discussions within established theoretical frameworks, the study adds depth to the academic literature on auditing and provides a robust theoretical basis for future research exploring the dynamic between internal audit functions and corporate success.

### **3. Empirically**

This study adds to the pool of empirical literatures by reporting the significant combined influence of Internal Audit competence, Internal Audit control, Internal Audit monitoring and Internal Audit quality on public sector performance accountability in Federal Inland Revenue Service which previous empirical studies did not consider thus bridging the gap in empirical literature.

### **5.5 Suggested Area of Further Studies**

Based on the findings the following are suggested for future research;

1. Future research could explore the impact of different corporate cultures on the independence of internal audits. This study could examine how organizational values, norms, and behaviors influence auditors' ability to remain objective and independent.
2. It would be beneficial to conduct comparative studies on the application of stakeholder and institutional theories in different industries to identify unique challenges and best practices for internal audits. Each industry may face distinct regulatory and stakeholder pressures that

affect audit practices, and comparing these can enrich the understanding of how contextual factors influence audit effectiveness.

3. With the increasing adoption of technology in auditing processes, such as data analytics and blockchain, further studies could investigate how these technologies impact the effectiveness and efficiency of audits. Research could focus on the challenges and opportunities presented by technological advancements and their acceptance among various stakeholders.
4. As laws and regulations evolve, their impact on audit practices and stakeholder expectations could be another fruitful area of study. This research could assess how recent changes in financial reporting standards and corporate governance codes influence internal audit strategies and operations.
5. Exploring how different cultural contexts influence audit practices and stakeholder expectations can provide a global perspective on effective auditing. This type of study could highlight cultural variables that affect audit processes and suggest culturally sensitive audit practices.

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Oseni, N.A. *Determinants of Internal Audit Effectiveness in Public Universities in the South-West Nigeria* (Doctoral Dissertation, Kwara State University (Nigeria)).



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Signature

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Date

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