

**Internal Audit Practices and Performance of Local Governments in Oyo State, Nigeria**

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**2024**

### **Certification**

This is to certify that **Taiwo Racheal ONI** with the matriculation number **LCU/PG/002667** carried out this research work titled: **Internal Audit Practices and Performance of Local Governments in Oyo State, Nigeria** in the Department of Management & Accounting, Faculty of Management & Social Sciences, Lead City University, Ibadan, Nigeria for the award of Master of science Degree (MSc) in Accounting and this has not been previously submitted.

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## **Dedication**

This work is dedicated to God Almighty and my family whose support is immeasurable towards the realization of this goal.

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## Acknowledgement

The researcher is grateful to the institution - Lead City University, Ibadan, Oyo State.

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Even though the above institution and persons have assisted in the process of this research, I alone stand responsible for the errors, if any, found in the work.

## Abstract

The study investigated Internal Audit practices and performance of local governments, Oyo state, Nigeria. This study assessed the relationship between internal audit practices and the performance of local governments in Oyo State, Nigeria, with a focus on education, healthcare, infrastructure, and economic empowerment performance. A descriptive research design was adopted, using a mixed-methods approach to gather data from both structured questionnaires and interviews. The target population consisted of 726 staff from the finance departments of 33 Local Government Areas (LGAs), with a sample size of 259 respondents determined using the Taro Yamane formula. A simple random sampling technique was applied to select participants from the finance departments, ensuring a representative sample. Additionally, 60 community members were included, selected from three senatorial districts. Data collection instruments included a structured questionnaire to gather. The study revealed that internal auditing significantly impacts the performance of local governments in Oyo State, Nigeria. Key findings showed that internal auditor quality, with a staff rating of 3.13 and a community rating of 2.66, influences performance, accounting for 3.1% of the variance ( $R^2 = 0.031$ ,  $\beta = 0.177$ ,  $p < 0.004$ ). Similarly, auditor independence was rated 3.11 by staff and 2.95 by the community, contributing 23.8% to the variance in performance ( $R^2 = 0.238$ ,  $\beta = 0.488$ ,  $p < 0.000$ ). Monitoring and control activities also played a crucial role, with a staff rating of 3.11 and a community score of 2.72, explained 22.7% of the performance variance ( $R^2 = 0.227$ ,  $\beta = 0.477$ ,  $p < 0.000$ ). Overall, internal audit functions were perceived positively (mean score of 3.11), showed improvements in financial management, education, welfare services, and infrastructure. The study concluded that internal auditing, particularly auditor independence, was crucial for enhancing local government performance, promoting transparency, and strengthening resource management. It recommended that investing in auditor training, ensuring independence, implementing robust controls, and adopted a comprehensive audit framework to boost governance and service delivery effectively.

**Keywords:** Internal Audit Practices, Performance, Internal Auditor Quality, Auditor Independence, Internal Audit Monitoring and Control Activities

**Word Count:** 300

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## List of Acronyms

<b>Abbreviation</b>	<b>Meaning</b>
AC	Audit Committee
CEO	Chief Executive Officer
IA	Internal Auditing
IAF	Internal Audit Function
IAI	Internal Auditor Independence
IAMC	Internal Auditor's Monitoring & Control Activities
IAQ	Internal Auditor's Quality
IIA	Institute of Internal Auditors
LGs	Local Governments
SAS	Statement of Auditing Standard

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## **Chapter One**

### **Introduction**

#### **1.1 Background to the Study**

Globally, performance metrics serve as a critical foundation for evaluating the effectiveness of organizations, irrespective of their private or public ownership. Performance is the cornerstone of organizational continuity and a primary focus for stakeholders, shaping expectations across all sectors. Within the public sector, where access and services are meant for all citizens, there is heightened scrutiny regarding performance outcomes, especially at the local government level. Local governments are the closest form of governance to citizens, making their performance a crucial determinant of public satisfaction and community well-being. They are expected to deliver essential services while fostering local development and addressing community needs. However, a critical examination of local government performance must consider both citizen expectations and organizational perspectives, which often present conflicting interests and reveal significant challenges.

Scholars have broadly defined public sector performance as the efficient and effective achievement of governmental goals, emphasizing accountability, transparency, citizen satisfaction, and outcomes-based management definition captures key dimensions, it oversimplifies the complexity involved in measuring public sector performance, especially at the local level<sup>1,2</sup>. For instance, assessing performance solely based on efficiency and outcomes may overlook the political and socio-cultural context in which local governments operate. Additionally, the emphasis on citizen satisfaction as a primary indicator of performance

introduces a subjective element that can be influenced by varying individual expectations and socio-economic conditions.

Moreo current literature tends to prioritize organizational efficiency, often at the expense of addressing the deeper systemic issues affecting performance. For example, the focus on reducing resources while maximizing outcomes might inadvertently promote a narrow interpretation of performance, neglecting broader social justice considerations and the equitable distribution of public services<sup>3</sup>.

Local government performance is a multifaceted issue that must be examined from both citizen-centric and organization-centric perspectives. From a citizen-centric perspective, performance is often judged based on satisfaction with service delivery, involvement in governance processes, and perceived transparency and accountability<sup>4</sup>. Studies suggest that citizen engagement in decision-making and their satisfaction with services like waste management, infrastructure development, and public safety are critical indicators of effective performance<sup>5</sup>. However, this approach limited by the varying levels of civic awareness and engagement across different communities, leading to inconsistencies in performance assessment<sup>6</sup>.

Conversely, the organization-centric perspective focuses on the internal capacity of local governments to deliver services effectively, emphasizing the importance of robust administrative structures and resource management. Scholars argue that local governments require coherent and well-defined frameworks to enhance service delivery and address grassroots needs. Yet, the existing literature has often failed to address the structural constraints faced by local governments, such as inadequate funding, bureaucratic inefficiencies, and political interference, which can significantly hinder their ability to perform effectively.

In the context of Nigeria's federal system, where power and responsibilities are divided among federal, state, and local governments, local governments play a pivotal role in grassroots service delivery. The establishment of local governments aimed to ensure the provision of basic services critical to the survival of communities<sup>7</sup>. Despite this, the performance of local governments in Nigeria has been widely criticized, particularly regarding inefficiencies in service delivery, lack of accountability, and widespread corruption.

A critical review of the literature reveals poor performance and systemic weaknesses in Nigeria's public sector. Scholars have highlighted the urgent need for governance reforms to address issues like ineffective internal controls and the absence of transparency mechanisms<sup>7,8,9</sup>. However, these studies often lack practical frameworks for implementing such reforms at the local government level, thereby failing to provide actionable insights for policy enhancement<sup>8</sup>. Further analysis reveals that the performance of local governments is heavily influenced by external factors, including political instability, fluctuating economic conditions, and socio-cultural challenges<sup>10</sup>. While the literature extensively documents these challenges, there is a notable gap in research addressing how local governments can adapt their administrative structures to mitigate these external influences and enhance service delivery<sup>9,10</sup>. The persistent emphasis on the need for reforms often overlooks the potential of leveraging existing community structures and grassroots organizations to improve performance outcomes.

Basic education is a foundational element of lifelong learning, encompassing both primary and secondary schooling. In Nigeria, local governments (LGs) are constitutionally mandated to provide critical physical infrastructure, such as schools, roads, water, and healthcare facilities<sup>11</sup>. Despite these mandates and the allocation of funds from the federation account, significant

challenges persist, particularly in rural and underserved areas. The inadequacy of educational infrastructure remains a widespread issue, severely limiting access to quality education and perpetuating cycles of poverty. A critical examination of the literature reveals a consistent gap between the constitutional responsibilities of LGs and their actual capacity to deliver these services. Several studies highlight systemic issues, such as misallocation of funds, political interference, and weak administrative capacity, as key impediments to effective service delivery<sup>12,13</sup>. Although the provision of basic education by LGs is recognized as a potential driver of sustainable grassroots development, the practical implementation has been hampered by structural inefficiencies<sup>12</sup>. Furthermore, there is a notable lack of strategic investment in education infrastructure, which limits opportunities for economic productivity and social cohesion. This oversight not only undermines the quality of education but also weakens the potential for civic engagement and accountability within local governance structures.

Critically, while scholars emphasize the importance of basic education in promoting individual empowerment and national development, the existing frameworks fail to address the disparities between urban and rural educational access<sup>14</sup>. The persistent infrastructure deficits, coupled with inadequate funding mechanisms, suggest that current policies do not sufficiently consider the unique challenges faced by rural LGs. The literature would benefit from more nuanced discussions that propose targeted, context-specific interventions aimed at closing the urban-rural education divide and enhancing the overall performance of LGs in this sector.

Access to basic healthcare and safe drinking water is widely recognized as a fundamental human right<sup>15</sup>. Despite this, a substantial portion of the global population, including many Nigerians, lacks access to these essential services. Local governments in Nigeria bear the responsibility of

providing medical services and ensuring access to clean water, yet they consistently encounter obstacles, such as insufficient infrastructure, shortages of healthcare personnel, and limited availability of medical supplies.

The literature largely agrees on the critical role that local governments play in improving public health outcomes, but there is a discernible gap between policy expectations and actual service delivery<sup>15</sup>. The challenges faced by LGs in healthcare provision are often attributed to a lack of strategic planning and insufficient resource allocation<sup>16</sup>. Moreover, political interference and corruption further exacerbate these issues, diverting resources away from critical healthcare initiatives and undermining the effectiveness of local health programs.

While some scholars argue that improving access to essential healthcare is integral to enhancing local government performance and aligning with broader national development goals, there is limited empirical evidence to support the effectiveness of current interventions<sup>17,18</sup>. The focus on investment in infrastructure and recruitment of healthcare professionals, although necessary, may not be sufficient in the absence of comprehensive governance reforms that address systemic issues such as accountability and transparency. Furthermore, the reliance on external funding and donor support for healthcare initiatives often results in short-term solutions rather than sustainable improvements in health service delivery.

Future research should explore more sustainable models of healthcare provision, leveraging community-based health initiatives and public-private partnerships to enhance service delivery at the grassroots level. There is also a need for more robust frameworks that integrate local context, involve community stakeholders, and foster greater accountability in the allocation and utilization of healthcare resources.

The provision of safe drinking water is a critical responsibility of local governments in Nigeria, yet this remains one of the most significant challenges they face, particularly in the context of rapid population growth<sup>17</sup>. The lack of adequate water and sanitation infrastructure is closely linked to poor health outcomes, increased disease burden, and reduced economic productivity. Despite constitutional provisions and funding allocations, access to clean water remains insufficient, with many rural communities relying on unsafe sources<sup>18</sup>.

Critically analyzing the literature, it is evident that the predominant focus has been on the supply-side limitations, such as inadequate infrastructure and resource constraints, while the demand-side factors, such as population growth and community needs, are often overlooked. Scholars highlight the importance of sustainable water infrastructure projects, yet there is limited discussion on the integration of local community participation in planning and implementing these projects<sup>16,18</sup>. This gap suggests a disconnect between the theoretical frameworks that emphasize the human right to water and the practical realities faced by local governments in meeting these obligations.

Moreover, the heavy reliance on external aid for water infrastructure development has led to a lack of local ownership and long-term sustainability. This approach often results in poorly maintained facilities, as local governments may not have the technical capacity or resources to manage and sustain these projects effectively<sup>19</sup>. The literature suggests that sustainable water and sanitation infrastructure initiatives could significantly improve public health outcomes and local government performance, yet there is a need for more comprehensive strategies that prioritize capacity-building, involve local stakeholders, and promote transparent governance. Future studies should focus on evaluating the effectiveness of existing water provision initiatives and

explore innovative solutions, such as decentralized water management systems and the use of renewable energy technologies, to enhance the sustainability of water infrastructure<sup>18,19</sup>. Additionally, a more holistic approach that considers the socio-cultural and economic factors influencing water access and usage is crucial for developing more effective and inclusive water policies.

Furthermore, maintaining streets, roads, and sanitation to a high standard is vital for ensuring safe transportation and promoting public health through effective waste management<sup>19</sup>. However, local governments in Nigeria face significant challenges in achieving this, including inadequate funding and limited technical capacity<sup>19,20</sup>. Despite these hurdles, prioritizing maintenance can greatly enhance local government performance by improving transportation networks, reducing congestion, and enhancing public health outcomes. Additionally, well-maintained infrastructure can attract investment, stimulate economic activity, and bolster citizen satisfaction<sup>21</sup>. Therefore, investing in effective maintenance strategies is essential for fostering sustainable development and improving the overall quality of life for Nigerian communities.

More so, implementing impactful economic empowerment programs for youths and women involves initiatives aimed at providing opportunities for skill development, entrepreneurship, and financial support to enhance their socio-economic status and participation in the economy<sup>12</sup>. However, in Nigeria, local governments face challenges such as inadequate funding, limited resources in implementing these programs and misappropriation, monitory and evaluation problem and poor governance in terms of accountability, transparency and control<sup>3</sup>. Despite these obstacles, prioritizing such initiatives can significantly improve local government performance by fostering economic growth, reducing unemployment, and promoting gender

equality<sup>3,14</sup>. By investing in impactful economic empowerment programs, local governments can enhance community development, social stability, and public trust, ultimately contributing to sustainable development and the overall well-being of Nigerian communities.

The local government, with its diverse responsibilities, is recognized as vital for driving sustainable development through its performance<sup>3</sup>. Its crucial role in delivering services to Nigeria's predominantly rural population, constituting over 60% according to the National Bureau of Statistics, underscores its significance. Despite receiving substantial funds from the federation account, local governments have consistently struggled to fulfill their constitutional duties<sup>15</sup>. This struggle can be attributed to systemic issues such as mismanagement, corruption, and a lack of governance and accountability culture. Specifically, deficiencies in internal audit and control exacerbate these challenges. This study aims to explore the factors contributing to the local government's inefficient performance, with a focus on problems within the internal audit practices.

Successive governments in Nigeria have embraced the need for regulation rather than the implementation of functional internal audit that enables problems be identified from the beginning and nipped in the bud. This has led to continued poor performance of public sector organisations especially in Nigeria. Distinguishing audits from other regulatory mechanisms is crucial. Public audit, encompassing various examinations from certifying accounts to assessing economy, efficiency, and effectiveness, serves as a cornerstone for holding elected representatives accountable. However, the public increasingly demands transparency in government actions and outcomes<sup>22</sup>. Audit reports thus serve as tools for assessing the performance of those managing public resources<sup>23</sup>. Effective internal audit, delineate, plays a

pivotal role in this process by independently appraising an organization's control systems and performance quality.

Internal auditors examine operational, financial, and compliance controls to reduce corruption and inefficiency. In the absence of such supervision, government offices are vulnerable to inefficiency and misconduct. Internal audit, is a crucial part of an organization's internal control system, created by management to maintain specified work processes and aid in managerial decision-making<sup>24</sup>. It is used to assess the efficacy and effectiveness of management controls, aiding in smooth administration, cost reduction, and efficient resource allocation<sup>25</sup>. Internal audit to be a crucial component of the internal control system, assisting management in ensuring that financial activities are carried out correctly in line with legal obligations and organizational guidelines<sup>25</sup>. Internal audit serves as a managerial tool to ensure adherence to set financial guidelines, align spending with agreed-upon goals, and protect public sector resources. An effective internal audit practices, independent from interference, allows for the detection and handling of inefficiencies, ultimately improving organizational performance in service delivery and resource management<sup>6</sup>.

Numerous internal monitoring, auditing, and control factors influence the performance of local governments. Such factors include the quality of internal audit procedures, the independence of internal auditors, the effectiveness of monitoring and control activities, adherence to established policies and procedures, allocation and utilization of resources, organizational culture, leadership commitment to transparency and accountability, and the presence of fraud prevention mechanisms<sup>22,24,26</sup>. This study focuses on evaluating the internal audit practices through three critical indices: Internal Auditor's Quality (IAQ), Internal Auditor's Independence (IAI), and

Internal Auditor's Monitoring & Control Activities (IAMC). These indices serve as essential metrics for assessing the effectiveness and efficiency of the internal audit function within organizations.

The IAQ index delves into the competence and proficiency of internal auditors, ensuring they possess the necessary skills and expertise to carry out their roles effectively. Internal Auditor's Quality (IAQ), characterized by experienced staff, appropriate team size, and independence, significantly impacts organizational performance. According to Statement of Auditing Standard (SAS) 65 and Institute of Internal Auditors (IIA) standards, IAQ includes competence, objectivity, and work performance quality. IAQ elements such as competency, independence, and team size, crucial for maintaining and enhancing local government performance<sup>23</sup>. High-quality IA also enhances external audit effectiveness, ensuring adherence to standards and fostering confidence in financial information<sup>24</sup>.

Meanwhile, the IAI index emphasizes the importance of independence in internal audit operations, ensuring auditors can objectively assess and report on organizational processes without undue influence. IA independence stands as a paramount factor in achieving the dimensions of the internal audit practices. It serves as a crucial driver for the Internal Audit Function (IAF)<sup>25</sup>. The Institute of Internal Auditors (IIA) Practice Advisory Board views independence as essential for enabling the IA department to fulfill its responsibilities without interference. The ability of internal auditors to carry out their duties independently is pivotal, particularly in compliance with corporate governance codes mandating that IA reports functionally to the audit committee (AC) and administratively to the chief executive officer (CEO)<sup>26</sup>. This dual role of providing assurance services to the organization while offering

consultancy services to top management often creates a conflict situation<sup>26</sup>. The impact of IA independence on organizational performance has been extensively explored in the literature<sup>23,25</sup>.

Finally, the internal monitoring and control activities IAMC index examines the monitoring and control activities implemented by internal auditors to detect and prevent fraud, errors, and inefficiencies within the organization<sup>27</sup>.

In the context of local government performance, Internal Auditor's Monitoring & Control Activities (IAMC) play a pivotal role in ensuring efficient operations and adherence to established procedures. IAMC encompasses managerial functions aimed at defining responsibilities, allocating tasks, and establishing reporting lines to achieve the corporate objectives of an organization<sup>27</sup>. Within local governments, IAMC helps in approving and controlling documents, reporting, reviewing and approving reconciliations, limiting physical access to assets and records, comparing internal data with external sources, and maintaining control accounts and trial balances, as identified<sup>26</sup>. Additionally, the operational auditing guideline referenced further emphasizes the importance of IAMC classifications, such as organizational structure, segregation of duties, physical controls, authorization and approval processes, and personnel supervision<sup>28</sup>. Implementing robust IAMC practices in local governments is essential for enhancing accountability, transparency, and efficiency, ultimately contributing to improved overall performance and service delivery to the community<sup>28</sup>. Evaluating these indices, this study aims to provide insights into the strengths and weaknesses of the internal audit practices, thereby facilitating improvements in organizational governance and performance.

Within the expansive realm of the public sector lie diverse organizations, each with its own composition and mission geared towards fulfilling governmental objectives. From essential services like security and transportation to healthcare and education, the public sector ensures equitable access to opportunities for all citizens, underscoring its crucial role in societal well-being<sup>28</sup>. While public sector entities share similarities with their private sector counterparts, their approach to internal auditing varies significantly due to distinct roles, responsibilities, and operational intricacies. These disparities are further accentuated by differences in size, function, and organizational complexity. Moreover, external factors such as a country's developmental stage and cultural nuances can shape internal audit practices, potentially influencing organizational effectiveness and goal attainment<sup>26,27,28</sup>. This study investigates the Internal audit practices and its impact on the performance of local governments in Oyo state, Nigeria, offering valuable insights into how internal audit mechanisms shape the efficiency and efficacy of governmental operations within the region.

## **1.2 Statement of the Problem**

The public sector in Nigeria has consistently faced significant challenges in meeting its fundamental responsibilities, with widespread corruption and the mismanagement of public funds severely undermining service delivery. High-profile instances, such as the embezzlement of funds intended for local projects in states like Kogi, Oyo, and Kano, illustrate the systemic nature of the problem. Similarly, the Nigerian Economic and Financial Crimes Commission (EFCC) has documented several cases involving local government officials misappropriating funds earmarked for infrastructure and community development initiatives, further eroding public trust and limiting the effectiveness of governance structures<sup>20,21</sup>. In response, regulatory

bodies in developing nations have increased demands for more comprehensive reporting on governance and internal audit functions, aiming to enhance transparency and accountability<sup>22</sup>.

Despite these regulatory efforts and extensive scholarly attention, local governments in Nigeria continue to exhibit significant underperformance, particularly in essential areas such as basic education, healthcare delivery, infrastructure development, and economic empowerment initiatives for youths and women. Scholars have highlighted several contributing factors, including inadequate resource allocation, weak governance frameworks, rampant corruption, and ineffective internal audit practices<sup>17,18,19</sup>. For instance, a study on local governments in Nigeria found that less than 40% of allocated funds reach their intended projects due to financial mismanagement and corrupt practices<sup>22,23</sup>. Similarly, a severe inadequacies in basic healthcare services at the local level, attributing this to both insufficient funding and poor oversight mechanisms<sup>22</sup>.

However, a significant methodological gap persists in existing research. Most studies rely heavily on secondary data or broad national assessments, often neglecting localized, primary data that can provide a more nuanced perspective on the issues. Additionally, the perspectives of key stakeholders, particularly local government staff and community members, are frequently overlooked in evaluations of the Internal audit practices's effectiveness. This gap hinders the development of tailored solutions that address specific governance challenges at the grassroots level.

To address this gap, the current study aims to examine influence of Internal audit practices in enhancing local government performance in Oyo State, Nigeria. A mixed-methods approach will be employed, utilizing primary data collection through surveys and in-depth interviews. The

study instruments designed to capture insights from both local government staff and community members, ensuring a holistic assessment of internal audit mechanisms. This dual-perspective approach is expected to reveal a more accurate picture of internal audit effectiveness and its impact on key performance indicators, including basic education, healthcare access, infrastructure maintenance, and youth and women economic empowerment programs.

### **1.3 Objectives of the Study**

The study aims to investigate Internal Audit practices and performance of local governments, Oyo state, Nigeria the specific objectives were to:

1. explore the Influence of Internal Auditor Quality on performance of local governments, Oyo state, Nigeria.
2. examine the influence of Internal Auditor Independence on performance of local governments, Oyo state, Nigeria
3. investigate the Influence of Monitoring & Control Activities on performance of local governments, Oyo state, Nigeria

### **1.4 Research Questions**

1. What is the influence of internal auditor quality on the performance of local governments in Oyo State, Nigeria?
2. How does internal auditor independence affect the performance of local governments in Oyo State, Nigeria?
3. What impact do monitoring and control activities have on the performance of local governments in Oyo State, Nigeria?

## **1.5 Hypotheses**

Ho1: There is no significant influence of internal auditor quality on the performance of local governments in Oyo State, Nigeria.

Ho2: Internal auditor independence does not significantly influence the performance of local governments in Oyo State, Nigeria.

Ho3: Monitoring and control activities do not have a significant influence on the performance of local governments in Oyo State, Nigeria.

## **1.6 Scope of the Study**

This study focuses on examining the Internal audit practices influence on local governance performance in Oyo State, Nigeria. It involves a detailed analysis of internal organizational dynamics, particularly among managerial staff who play crucial roles in administrative functions.

The study meticulously evaluates various performance indicators within local governance, including Basic Education, Basic Healthcare, Safe Drinking Water provisioning, Infrastructure Maintenance, and Economic Empowerment initiatives for Youths and Women. These benchmarks serve as crucial metrics for assessing the effectiveness and responsiveness of local government operations in meeting community needs. Simultaneously, the research rigorously assesses the Internal audit practices within these governance frameworks, considering indices like Internal Auditor's Quality (IAQ), Independence (IAI), and Monitoring & Control Activities (IAMC). Recognizing their pivotal role in governance, the study aims to uncover insights that inform strategic decision-making, enhance accountability, and foster sustainable development in Oyo State, Nigeria.

## 1.7 Significance of the Study

The significance of this study resonates deeply across various sectors and stakeholders, each poised to benefit from its comprehensive insights.

For local government administrators, the findings offer a roadmap to optimize governance practices. By understanding the nuances of internal audit practices, administrators can refine resource allocation strategies and streamline service delivery mechanisms. This knowledge is particularly crucial in domains such as basic education, healthcare, infrastructure maintenance, and economic empowerment, where effective governance directly impacts the lives of constituents.

Policymakers and government agencies stand to gain valuable insights into governance reform initiatives. Armed with empirical evidence on the relationship between internal audit practices and local government performance, policymakers can craft targeted policies and regulations to strengthen internal control mechanisms. This, in turn, fosters greater accountability and transparency within local governance structures, aligning with broader development objectives.

The academic community benefits from the study's contribution to scholarly discourse. By delving into the intricate interplay between internal audit quality and local government performance, the research enriches the body of knowledge in public administration, governance, and internal audit fields. It serves as a springboard for future research endeavours, paving the way for deeper exploration of similar topics and avenues.

Civil society organizations and advocacy groups find the study a powerful tool for driving social change. Armed with empirical evidence, these entities can advocate for improved governance

practices, transparency, and accountability within local government institutions. By leveraging the study findings, they can hold government officials accountable and champion reforms that uphold the interests of citizens.

Ultimately, the true beneficiaries of this study are the citizens and residents of Oyo State, Nigeria. Through enhanced governance practices, improved service delivery, and better resource management, the study contributes to the overall welfare and development of the community. By fostering an environment of transparency, accountability, and effective governance, the research endeavours to uplift lives and empower communities for sustainable growth and prosperity.

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

### **1.9 Operationalisation of the Variables**

The study aims to investigate the influence of internal audit practices on local government performance. We can achieve this by developing a mathematical model that relates the dependent variable (performance) to the independent variables (internal audit quality indices).

Let  $P$  represent the performance of local governments, which can be influenced by various factors related to the internal audit practices. We can express this relationship mathematically as:

$$P=f(Q,I,M)$$

Where:

- $PP$  = Performance of local governments
- $QQ$  = Quality of Internal Auditors

- $II$  = Independence of Internal Auditors
- $MM$  = Monitoring and Control Activities

### Econometric Model

To empirically test the influence of these factors on performance, we can specify a multiple regression model:

$$P_i = \beta_0 + \beta_1 Q_i + \beta_2 I_i + \beta_3 M_i + \epsilon_i$$

Where:

- $P_i$  = Performance of local government  $i$
- $Q_i$  = Quality of Internal Auditors for local government  $i$
- $I_i$  = Independence of Internal Auditors for local government  $i$
- $M_i$  = Monitoring and Control Activities for local government  $i$
- $\beta_0$  = Intercept term
- $\beta_1, \beta_2, \beta_3$  = Coefficients representing the influence of each independent variable on performance
- $\epsilon_i$  = Error term capturing unobserved factors affecting performance

### Operational Definition of the Terms

**Performance:** The effectiveness and efficiency of local government operations in delivering essential services and initiatives, such as Basic Education, Basic Healthcare, Safe Drinking

Water provisioning, Infrastructure Maintenance, and Economic Empowerment programs for Youths and Women, in meeting community needs and improving quality of life.

**Audit Quality:** The reliability and effectiveness of internal audit processes within local government frameworks, including the proficiency and objectivity of internal auditors, the independence of the internal audit function, and the robustness of monitoring and control activities, as measured by indices such as Internal Auditor's Quality (IAQ), Independence (IAI), and Monitoring & Control Activities (IAMC).

**Basic Education:** Basic Education refers to the provision of fundamental knowledge, skills, and competencies necessary for individuals' development, typically encompassing primary and secondary education programs aimed at fostering literacy, numeracy, and foundational learning.

**Basic Healthcare:** Basic Healthcare involves the delivery of essential health services and interventions focused on promoting and maintaining the health and well-being of individuals and communities, including preventive care, primary medical treatment, and health education.

**Safe Drinking Water Provisioning:** Safe Drinking Water Provisioning ensures access to clean and potable water for drinking and domestic purposes, involving measures to protect water sources, treat water to remove contaminants, and distribute water safely to communities.

**Infrastructure Maintenance:** Infrastructure Maintenance refers to the ongoing activities and processes aimed at preserving, repairing, and enhancing the functionality and durability of physical infrastructure assets such as roads, bridges, utilities, and public facilities within local communities.

**Economic Empowerment Initiatives for Youths and Women:** Economic Empowerment Initiatives for Youths and Women include programs and policies designed to enhance the economic opportunities, skills development, and financial independence of these demographic groups, fostering entrepreneurship, vocational training, and access to resources and support services.

**Internal audit practices:** The Internal audit practices encompass the organizational structure, processes, and procedures established within local government frameworks to assess and enhance the effectiveness of internal controls, risk management practices, and governance processes. It involves activities conducted by internal auditors to evaluate and provide assurance on the adequacy and effectiveness of governance, risk management, and control processes.

**Internal Auditor's Quality (IAQ):** Internal Auditor's Quality (IAQ) refers to the competence, professionalism, and effectiveness of internal auditors in performing their duties within the internal audit practices of local governments. It includes factors such as education, training, experience, adherence to professional standards, and the ability to provide reliable and insightful audit assessments.

**Independence (IAI):** Independence (IAI) relates to the autonomy, objectivity, and impartiality of internal auditors within the internal audit practices of local governments. It refers to the freedom from undue influence, conflicts of interest, or pressures that may impair the ability of internal auditors to exercise professional judgment and provide unbiased evaluations and recommendations.

**Monitoring & Control Activities (IAMC):** Monitoring & Control Activities (IAMC) encompass the mechanisms, processes, and procedures implemented within local government frameworks to oversee and regulate organizational activities, manage risks, and ensure compliance with laws, regulations, and internal policies. These activities include internal controls, risk management processes, compliance monitoring, and performance measurement systems.

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## **Chapter Two**

### **Literature Review**

This chapter contained the conceptual, theoretical, and empirical review, conceptual model and summary of the gaps in the literature reviewed related to the study.

#### **2.1 Conceptual Review**

##### **2.1.1 Performance in Public Sector (Local Government)**

Local government has been defined by several scholars and writers. Local government is a political authority, purposely created by the government under a law by which local communities within a definite area are organized to manage their own affairs within the limit of the law under which the authority is created<sup>1</sup>. It is a process of devolution of power to the local authority to provide services of local nature<sup>2</sup>. Also, local government is seen as a government of grassroots which is designed to serve as “instrument of rural transformation<sup>3</sup>.”

The establishment of Local Government in Nigeria as a third-tier administrative structure of government was to decentralize governance, bring government closer to the people at the local level, and make social services vital to national development. They are strategically positioned and in charge of almost 80% of Nigeria's estimated 160 million population. As a result, they hold an important position to gather and voice the demands of the majority of Nigerians, as well as to

support rural development by deploying the necessary financial and human resources in their operations<sup>4</sup>.

The local level of government is the most accessible for the people it serves. It is the branch of government responsible for meeting the needs of its constituents<sup>5,6</sup>. Citizens are given a voice in the planning and design of public areas through this branch of government<sup>5</sup>. Local government refers to the administrative authority and governance structures responsible for managing and providing services at the local or community level. It encompasses municipal or district councils, elected officials, and administrative staff who oversee specific geographic areas<sup>7</sup>. The primary objective of local government is to address the unique needs and interests of communities within its jurisdiction, which may include matters related to public services, land use planning, infrastructure development, and community well-being.

Local government plays a pivotal role in decentralized governance, allowing for greater citizen participation in decision-making processes and tailoring policies to suit the specific characteristics of a locality<sup>8</sup>. Through local authorities, residents have a direct channel to influence policies and programs that directly impact their day-to-day lives. This grassroots level of governance is crucial for fostering a sense of ownership and community engagement in matters of public interest.

Local governments worldwide operate within diverse frameworks, ranging from highly centralized to decentralized systems, each tailored to the unique political, social, and economic contexts of the region<sup>9</sup>. They play a crucial role in fostering democracy and decentralization, as they are often the closest form of government to citizens, allowing for direct representation and responsiveness to local needs. In many countries, local governments are entrusted with responsibilities that directly affect the quality of life for residents, such as education, healthcare,

waste management, and urban planning. They act as intermediaries between higher levels of government and local communities, advocating for and implementing policies that reflect the unique needs and aspirations of their constituents<sup>10</sup>.

Performance management is a component of a larger conversation about improving accountability, openness, and efficiency in local government<sup>11</sup>. Performance management (PM) is iterative, with stages including goal-setting, objective-setting, and strategy-decision-making<sup>11,12,13</sup>. Delivering on a government agency's stated goals is one definition of performance management<sup>14</sup>.

Performance management implemented at the municipal level is a reformist ideal<sup>12</sup>. If local governments don't use performance data to boost service quality, it suggests they are actively working against the goals of performance management. There is scant data on whether performance management has improved local government work, despite the fact that the aforementioned literature promotes it as a reformist ideal. He counters that success with performance management has been more common when established best practices for implementing performance management have been used as a basis for creating performance management systems<sup>15</sup>.

In Nigeria, Local government authorities are among the public sector organizations which play an important role in the delivery of government services as they are assigned the responsibility to deliver key public services such as primary education, local health services and other typical local public services<sup>16</sup>. In the past three decades, worldwide. Local authorities have come under increasing pressure to modernize, to improve overall performance and service delivery, cost reduction, competition and to increase accountability to their stakeholders<sup>17</sup>.

The system aimed to provide quality public service to the public, improve performance of public service institutions, improve accountability and responsiveness, ensure effective and efficient use of public resources and provide standards for providing comparisons and benchmarking within the public service institutions in Tanzania as well as other public service institutions across the world for continuous improvement. This has now resulted in a statutory duty of continuous performance improvement that has been placed on local authorities.

#### **2.1.1.1 Provision of Basic Education**

Education is fundamental to individual empowerment and national development. In the context of local governments in Nigeria, the provision of basic education is a critical responsibility aimed at ensuring that all citizens have access to quality education. However, challenges such as inadequate infrastructure, teacher shortages, and insufficient resources often hinder the effective delivery of education services at the grassroots level<sup>18</sup>.

Internal audit practices play a crucial role in enhancing the efficiency and effectiveness of educational programs within local governments. By conducting regular audits of education budgets, expenditure, and performance indicators, internal auditors can identify areas for improvement and ensure that resources are allocated judiciously<sup>19</sup>. Additionally, internal audit processes help to identify and address issues such as ghost workers, embezzlement of funds, and mismanagement of resources, thereby safeguarding the integrity of education service delivery<sup>20</sup>.

#### **2.1.1.2 Access to Essential Basic Healthcare and Safe Drinking Water**

Access to healthcare and safe drinking water is essential for promoting public health and well-being. Local governments in Nigeria are responsible for providing healthcare services and ensuring access to safe water sources for their constituents. However, challenges such as

inadequate healthcare infrastructure, limited access to medical supplies, and water pollution often undermine efforts to improve health outcomes at the grassroots level<sup>21</sup>.

Effective internal audit practices play a vital role in ensuring accountability and transparency in the management of healthcare and water resources within local governments. Through regular audits of healthcare facilities, medical supplies, and water treatment plants, internal auditors can identify inefficiencies, prevent fraud, and ensure compliance with health and safety standards<sup>22</sup>. Moreover, internal audit processes help to streamline procurement processes, minimize wastage, and improve the overall quality of healthcare and water services<sup>19</sup>.

### **2.1.1.3 Maintaining Streets, Roads, and Sanitation to a High Standard**

Infrastructure development, including the maintenance of streets, roads, and sanitation facilities, is essential for fostering economic growth and enhancing the quality of life for citizens. Local governments in Nigeria are tasked with the responsibility of maintaining and upgrading infrastructure to ensure safe and efficient transportation and sanitation services. However, inadequate funding, poor planning, and lack of maintenance often result in deteriorating infrastructure conditions<sup>21</sup>.

Internal audit practices play a critical role in improving the management and maintenance of infrastructure within local governments. By conducting regular audits of infrastructure projects, road maintenance activities, and sanitation initiatives, internal auditors can identify areas of inefficiency, cost overruns, and corruption<sup>22</sup>. Additionally, internal audit processes help to enhance transparency in procurement processes, ensure compliance with construction standards, and promote accountability in infrastructure management<sup>21</sup>.

#### **2.1.1.4 Implementing Impactful Economic Empowerment Programs for Youths and Women**

Youth and women empowerment programs are essential for promoting inclusive growth and reducing poverty in Nigeria. Local governments play a crucial role in implementing economic empowerment initiatives aimed at providing skills training, access to finance, and entrepreneurial support for vulnerable groups. However, challenges such as limited funding, inadequate program monitoring, and lack of coordination often hamper the effectiveness of these initiatives<sup>23</sup>.

Internal audit practices can significantly contribute to improving the design, implementation, and monitoring of economic empowerment programs within local governments. By conducting regular audits of program budgets, expenditures, and outcomes, internal auditors can assess the effectiveness of interventions, identify bottlenecks, and recommend strategies for improvement<sup>24</sup>. Additionally, internal audit processes help to ensure transparency in the selection of beneficiaries, prevent diversion of funds, and enhance accountability in program management<sup>25</sup>.

#### **2.1.2 Internal audit practices in Public Sector**

Internal audit practices play a crucial role in promoting accountability, transparency, and effective governance within the public sector. In Nigeria, internal audit functions are responsible for evaluating and monitoring the adequacy and effectiveness of internal controls, risk management processes, and governance practices within government institutions<sup>26</sup>. The effectiveness of internal audit practices in the public sector depends on several factors, including organizational culture, leadership commitment, and resource allocation<sup>27</sup>. Adequate staffing, continuous professional development, and independence are essential elements for ensuring the credibility and effectiveness of internal audit functions<sup>28</sup>.

The integration of technology and data analytics tools can enhance the efficiency and effectiveness of internal audit processes by enabling real-time monitoring, predictive analysis, and risk-based auditing<sup>29</sup>. Additionally, collaboration with external audit agencies, oversight bodies, and stakeholders can strengthen the oversight and accountability mechanisms within the public sector<sup>30</sup>. Internal audit practices play a critical role in enhancing the performance of local governments in Nigeria across various service delivery areas, including education, healthcare, infrastructure, and economic empowerment. By promoting accountability, transparency, and efficiency in resource management, internal audit processes contribute to improved governance outcomes and better service delivery for citizens.

### **2.1 2.1 Internal Auditor's Quality**

The quality of internal auditors in the public sector is critical for ensuring effective governance, accountability, and performance. Internal auditors are tasked with evaluating internal controls, assessing risks, and providing independent assurance on the efficiency and effectiveness of organizational operations<sup>31</sup>. The competence, objectivity, and integrity of internal auditors significantly influence their ability to identify issues, recommend improvements, and contribute to organizational success.

**Competence of Internal Auditors:** The competence of internal auditors refers to their knowledge, skills, and abilities to perform their duties effectively. Competent internal auditors possess a strong understanding of auditing standards, techniques, and methodologies relevant to the public sector environment<sup>32</sup>. They are proficient in analyzing complex financial and operational data, identifying control weaknesses, and providing actionable recommendations for improvement.

In a study, it was found that the competence of internal auditors positively correlates with organizational performance in the public sector. Internal auditors who demonstrate high levels of competence are better equipped to identify fraud, waste, and inefficiencies, thereby contributing to enhanced governance outcomes and financial stewardship<sup>33</sup>.

**Objectivity and Independence:** Objectivity and independence are essential attributes for internal auditors to maintain impartiality and integrity in their work. Internal auditors must remain free from undue influence or bias, allowing them to objectively evaluate organizational processes and controls<sup>34</sup>. Independence enables internal auditors to provide unbiased assessments and recommendations, thereby enhancing the credibility and reliability of their findings.

Research demonstrated a positive relationship between auditor independence and organizational performance in the public sector<sup>35</sup>. Internal auditors who maintain independence from management influence are more likely to identify control deficiencies and address governance issues effectively. Furthermore, independent auditors are better positioned to instill a culture of accountability and transparency within organizations, leading to improved performance outcomes.

**Ethical Conduct and Integrity:** Ethical conduct and integrity are fundamental principles that guide the behavior and actions of internal auditors. Upholding ethical standards ensures that auditors act with honesty, fairness, and professionalism in their engagements<sup>36</sup>. Internal auditors must adhere to codes of conduct and ethical guidelines to maintain public trust and confidence in their work.

Studies have shown that internal auditors' adherence to ethical principles positively impacts organizational performance in the public sector<sup>37</sup>. Ethically sound auditors are more likely to uphold the values of integrity, accountability, and transparency, thereby fostering a culture of

ethical behavior within organizations. By demonstrating ethical conduct in their interactions and decision-making processes, internal auditors contribute to improved governance practices and performance outcomes.

The quality of internal auditors in the public sector significantly influences organizational performance. Competent, objective, and ethically sound auditors play a crucial role in identifying risks, strengthening internal controls, and enhancing governance effectiveness. By upholding professional standards and independence, internal auditors contribute to achieving organizational objectives and delivering value to stakeholders.

#### **2.1.2.2 Auditor Independence**

Auditor independence is a cornerstone of effective governance and accountability in the public sector. Independence ensures that auditors can objectively evaluate organizational processes, identify control weaknesses, and provide unbiased assessments of performance<sup>35</sup>. In the context of the public sector, where public funds are at stake, maintaining auditor independence is crucial for safeguarding public trust and confidence.

Auditor independence refers to the ability of auditors to perform their duties without being influenced or constrained by external pressures or conflicts of interest<sup>34</sup>. Independence enables auditors to exercise professional judgment, adhere to ethical standards, and deliver impartial assessments of organizational performance. Several factors can influence auditor independence in the public sector, including organizational culture, governance structures, and regulatory frameworks<sup>31</sup>. Strong governance mechanisms, such as the presence of audit committees and oversight bodies, can help reinforce auditor independence and accountability.

In a study, auditor independence was found to have a significant positive impact on organizational performance in the public sector. Independent auditors are better positioned to

identify control deficiencies, detect fraud, and mitigate risks, thereby contributing to enhanced governance effectiveness and financial stewardship<sup>38</sup>.

Research highlighted the importance of ethical leadership in promoting auditor independence and organizational performance<sup>36</sup>. Ethical leaders set the tone for integrity and accountability within organizations, creating an environment where auditors can operate independently and without fear of reprisal. Additionally, effective communication channels between auditors, management, and oversight bodies can enhance transparency and support auditor independence.

Regulatory frameworks and professional standards play a crucial role in upholding auditor independence and integrity. Regulatory bodies, such as the Association of Chartered Certified Accountants (ACCA) and the Institute of Internal Auditors (IIA), provide guidance and oversight to ensure compliance with ethical principles and independence requirements<sup>32</sup>.

Adherence to professional standards, such as the International Standards for the Professional Practice of Internal Auditing (IIA Standards), reinforces auditor independence and credibility<sup>37</sup>.

Internal auditors who follow these standards are better equipped to maintain independence, exercise professional judgment, and deliver high-quality audit services in the public sector.

Despite the importance of auditor independence, several challenges may threaten its effectiveness in the public sector. One significant challenge is the pressure from management or political influences, which may compromise auditors' ability to remain impartial<sup>34</sup>. Additionally, resource constraints, inadequate training, and organizational cultures that do not prioritize independence may undermine auditors' independence and effectiveness.

Auditor independence has a direct impact on organizational performance in the public sector. Independent auditors are more likely to identify control deficiencies, mitigate risks, and provide unbiased assessments of performance<sup>35</sup>. Their findings and recommendations can help

management improve internal controls, enhance transparency, and strengthen governance mechanisms, ultimately leading to improved organizational performance. However, auditor independence is crucial for maintaining trust, accountability, and performance in the public sector. By upholding ethical standards, adhering to regulatory frameworks, and exercising professional judgment, auditors can contribute to enhancing governance effectiveness and delivering value to stakeholders.

### **2.1.2.3 Monitoring & Control Activities**

Monitoring and control activities are essential components of effective governance and performance management in the public sector. These activities involve ongoing assessments of organizational processes, performance metrics, and compliance with regulations and policies<sup>39</sup>.

By implementing robust monitoring and control mechanisms, public sector organizations can detect deviations from established standards, identify areas for improvement, and mitigate risks.

Monitoring and control activities serve as a critical oversight function within public sector organizations. These activities help management identify potential weaknesses in internal controls, assess operational efficiency, and ensure compliance with legal and regulatory requirements<sup>40</sup>. Monitoring mechanisms, such as performance dashboards, key performance indicators (KPIs), and regular performance reviews, enable management to track progress towards organizational objectives and take corrective actions as needed.

Effective monitoring and control activities have a direct impact on organizational performance in the public sector. Research demonstrated a positive relationship between the implementation of monitoring and control mechanisms and organizational performance<sup>41</sup>. Public sector organizations that prioritize monitoring and control activities are better equipped to identify operational inefficiencies, address compliance issues, and achieve strategic objectives.

Despite their importance, monitoring and control activities in the public sector may face several challenges. These challenges include inadequate resources, limited technological capabilities, and resistance to change<sup>40</sup>. Additionally, complex organizational structures, bureaucratic processes, and competing priorities may hinder the implementation of effective monitoring and control mechanisms.

The integration of technology can also enhance the effectiveness of monitoring and control activities in the public sector. Advanced data analytics tools, automation software, and digital platforms enable organizations to collect, analyze, and report performance data in real-time<sup>40</sup>. Technology-driven monitoring solutions provide management with actionable insights, facilitate informed decision-making, and improve organizational agility.

Effective monitoring and control activities require collaboration and engagement with stakeholders, including government agencies, oversight bodies, and citizens<sup>39</sup>. Stakeholder involvement promotes transparency, accountability, and trust in the monitoring process, leading to more meaningful performance improvements and better governance outcomes. In conclusion, monitoring and control activities play a vital role in enhancing performance management and governance in the public sector.

#### **2.1.2.4 Determinants of Internal Audit Effectiveness**

Researchers are also at odds about what constitutes the ideal framework for IA efficacy or the elements that influence the IA function and how to quantify it. Researches have empirically determined many factors that influence the efficiency of IA. at their investigation of the factors influencing the efficacy of IA at a few hospitals in Kumasi, Ghana, discovered that the main factors influencing IA effectiveness include independence, motivation, strong internal control, an appropriate IA charter, and regular IA meetings<sup>28</sup>.

There are many important factors that determine how successful an internal audit is, including the size of the unit, the skill level of the IA staff, the independence of the IA, and the positive working relationship between the internal and external auditors<sup>42</sup>. They also noted in a similar research that employing competent IA professionals, having an authorised IA charter, management support, and management's opinion of IA workers are all important factors<sup>42</sup>.

The internal auditors' professional competence, independence, and internal control system were determined by researchers as indicators of the internal auditor role<sup>26</sup>. It also included risk management, budgetary control, and financial responsibility as factors influencing the IA function's efficacy in their investigation of the impact of the function on financial performance. Our analysis of the body of research on internal auditing (IA) effectiveness determinants, IA function independence, internal control systems, and risk management. So, in order to quantify the IA function, the research used these determinants<sup>43</sup>.

Independence of IA: For the IA function to be successful, independence is a must. It characterises the independence of the IA function from circumstances that can jeopardise the impartial execution of its role. In other words, the ability to determine the extent, conduct, and reporting of the IA function without interruption.

Internal Control System: To offer a reasonable guarantee that the organisation will fulfil its goals and purpose, an internal control system consists of the coordination of the activities, plan, attitude, policies, system, resources, and effort of all company personnel. Making ensuring everything goes as planned is the responsibility of the IA function. Internal auditors have a thorough understanding of risk management, and they play a significant part in it. Its job is to evaluate how well risk management is done in each company.

### **2.1.3 Internal Auditors**

Internal auditors have been defined in a number of ways by several specialists and authors of auditing literature. Internal auditors are often in charge of making sure that internal auditing is done effectively<sup>44</sup>. As a service to the organisation, internal auditors are members of the internal audit team who are chosen by the management to review and assess the soundness and efficiency of the financial, administrative, and internal control systems that have been implemented. Thus, internal auditors quantify, check, and assess the management's operational effectiveness.

Internal auditing is seen as an impartial, independent assurance and consulting activity intended to enhance and optimise an organization's operations<sup>45</sup>. The internal auditor is an employee of the company who reports to management<sup>44</sup>. Internal auditors are the organization's workers and are only employed by the organisation. Thus, the internal auditor's role is to evaluate other people's work rather than to handle a particular aspect of data processing. For the purpose of reviewing the current control system, internal auditors need to be skilled and have time.

#### **2.1.3.1 Nature and Scope of Internal Audit of Nigerian Public Service**

Since the Federal Republic of Nigeria's Constitution specifies the internal auditing process for government-owned businesses, it is regarded as statutory. The internal auditor is required under Section 1703 of the Financial Regulations to report the audit's progress to the organization's accounting officer rather than the chairman of the governing board. The Accounting Officer, the head of management, receives the report from the internal auditor.

The management appoints the internal auditor as an employee of the organisation where he performs audit services via a formal recruiting process. An internal auditor working for a public

sector organisation is bound by public service laws; hence, their removal from office may occur only in the event of a transfer, change in career path, redeployment, recruitment, resignation, or entity extinction.

In a similar vein, some researcher concur that management determines the internal audit's scope, which varies greatly<sup>44,46</sup>. Among them are reviewing internal control systems and accounting systems; looking over financial and operational data for management; testing transactions and balances in-depth; assessing the economy, effectiveness, and efficiency of operations; assessing how well non-financial controls are working; assessing how corporate policies, plans, and procedures are being implemented; conducting special investigations.

The scope is as follows: inspecting payments in advance; attesting to payroll and third-party claims; monitoring store operations and documentation; performing internal investigations and assessments for management; and regularly reviewing and assessing the current internal control protocols.

### **2.1.3.2 Regulatory Framework of Internal Audit in Nigerian Public Service**

The people of every nation own its resources. Through its ministries, boards, companies, parastatals, and other extra-ministerial departments, every government in power oversees these resources on behalf of its constituents<sup>47</sup>. The Nigerian constitution mandates for the audit of these accounts in order to reassure the populace that the different accounts are accurately and fairly reported. The government reports its stewardship in yearly accounts. Thus, the legislation requires that the financial records of government-owned entities be audited.

The Nigerian Constitution's Section 85 (1) establishes the position of Auditor-General for the Federation and calls for their appointment to oversee the audit of public finances. The Nigerian Constitution and the Audit Act of 1956 stipulate that the National Assembly will assign the appointed Auditor General to investigate and audit the accounts of all accounting officers in all public sector organisations. Additionally, the Auditor General will be tasked with collecting, receiving, holding, issuing, or paying federal public funds as well as with receiving, holding, selling, or other government property.

The internal auditors of all governmental statutory companies, commissions, authorities, and agencies—including those individuals and entities created by an Act of the National Assembly—are also vested with the same powers as the Auditor-General. Because of this, section 1701 of the Financial Regulation states that, where appropriate, the Accounting Officer of a ministry, extra-ministerial office, and other branches of government shall ensure the establishment of an internal audit unit to conduct a thorough and ongoing audit of the accounts and records of revenue and expenditure, assets, and allocated and unallocated stores.

### **2.1.3.3 Roles of Internal Auditors in the Management of Nigerian Public Service**

In the process of carrying out the tasks assigned to the internal audit department, the internal auditor also helps management reach its goals. He carries out his auditing duties to accomplish this. The following are some of the responsibilities of internal auditors: conducting an ongoing, impartial review of the organization's accounts and records; assessing the system and procedures in place and their continued applicability to the attainment of the organization's goals; reporting to upper management on the completeness, accuracy, reliability, cost of maintenance and control procedures, attesting to the effectiveness and efficiency with which the entity services on its

operation; assuring the management of the degree of compliance with established procedures and he will regularly submit a written schedule of responsibilities to the management for approval; As they may sometimes be inspected, make sure that the accounts are produced in compliance with the laws and regulations. run every test imaginable to verify that the account being reviewed is accurate and that the supplied information and certifications are trustworthy; Verifies the mathematical precision of the accounting records<sup>48</sup>.

A study proposed the roles and responsibilities of internal auditors<sup>44</sup>. Making sure that there is independence, carrying out a special investigation as requested by management, evaluating the accounting system and related controls to ensure that they are adequate, compliant, and cost-effective, and collaborating with the accounting officer to approve the plan before the audit committee approves it; submitting requests for quarterly reporting to both the accounting officer and the audit committee; Create and maintain an internal audit department charter that outlines the department's primary duties, levels of power, and reporting lines. You should also get appropriate permission for the development and implementation of objectives, personnel plans, work schedules, and financial budgets. Sustain your own competency by getting enough CEUs, staying up to date on accounting and auditing trends, conducting routine and special audits, and offering suggestions for improvement.

As stated by a study, internal auditors are required to report any irregularities in the accounting records or weaknesses in the accounting procedure to the Accounting Officer and the Directorate of Finance and Accounts of the organisation<sup>49</sup>. It further states that internal auditors must investigate, record the identification of controls, and test the controls' compliance.

Section 1707 of the Financial Regulations gives the Internal Audit Head the authority to keep a register under his supervision that documents the audit's progress. It's important to track the scope of audit activities completed in order to prevent audit staff members from piling on work as they go along and to support them when they encounter difficulties. In order to address the need for control and other management policies for development planning and evidence-based decision-making in the management of the organisation, internal auditors are expected to contribute both technically and substantively as leaders to the design, implementation, monitoring, and evaluation of programmes and projects. They have to make sure that all parties involved in the organisation reasonably abide by its plans, rules, and procedures. By improving accountability, probity, and openness in procurement procedures, they should impose value-for-money audits. They should also establish an efficient internal control system that is continuously monitored in addition to other management control measures. Internal audit should guarantee that the company's operations are carried out effectively and in a systematic way.

They need to start advocating for the most economical, effective, and efficient use of resources in order to carry out the management's directives. In addition to ensuring that the organization's records are accurate and complete and that all legal requirements are met, the internal auditor is responsible for evaluating the reliability, relevance, and sufficiency of audit evidence and for providing management with timely, thorough reports on a regular basis.

#### **2.1.3.4 Contribution of Independent Internal Audit in Public Sector**

The internal audit (IA) helps public sector organisations become more active in a manner that advances their objectives. A study indicates that a number of factors, including the system's independence and effectiveness, play a part in enabling the function of IA in organisations<sup>49</sup>.

Enhancing the effectiveness of internal auditing involves many factors, some of which are related to auditors, like objectivity and independence, and some of which are related to senior management, like giving auditing management the support it needs to carry out its duties efficiently. Heads of departments should refrain from serving as members of audit committees due to the detrimental effects on performance and profit quality that come with their involvement. The independence of audit committee members is positively correlated with the quality of profits in institutions and companies<sup>50</sup>. It will significantly impact performance improvement and regularisation if internal auditors adhere to the norms that govern the IA profession.

Improving the independence of the audit department, holding regular meetings, and ensuring that auditors receive ongoing training to stay up to date with the latest international standards governing the audit profession all play a major role in improving the performance of institutions. One of the most important things that aids in performance improvement is for internal auditors to adhere to the standards set out by the organisations that govern the internal auditing profession. Internal audit helps boards of directors of institutions fulfil their governance obligations, which results in better performance and the attainment of competition. There is a significant correlation between corporate governance and IA. Improving business performance is directly correlated with having a well-governance structure<sup>51</sup>.

According to the study's findings, monitoring systems have an effect on businesses' financial performance, which strengthens their ability to accomplish their objectives<sup>52</sup>. Moreover, their results indicated that audit committees contribute very little to bettering the financial performance of businesses. Organisational monitoring activities are linked to the performance of the enterprise. However, because of the unreliability of this connection, corporate governance

has little effect on performance and is more closely linked to synchronisation, heterogeneity, and dynamic organisational outcomes. Appropriately implementing corporate governance inside organisations helps to improve performance, provide value, and boost the economic and statistical performance of these organisations. Corporate governance drives up the values of fixed firm shares, hence augmenting the overall worth of the business.

The performance of institutions and the quality of their outputs are positively impacted by the independence of the members in charge of auditing, the frequency of their meetings on a periodic and regular basis, and the size of the AC. Large audit committees are likely to cause the auditors to get disinterested in their job and to collaborate less. Having an audit committee with the right number of members in the internal audit department helps the department obtain a variety of knowledge, opinions, and proposals that are helpful for different institutional investments in a way that is advantageous to the institutions<sup>49</sup>.

The size of audit committees is positively correlated with financial performance, as stated in a study that examined the extent to which audit characteristics impact companies' financial performance<sup>53</sup>. This is because larger audit committees almost certainly include members with a variety of professional backgrounds, including finance and accounting, who can help solve problems and help companies overcome obstacles, ultimately improving firm performance. Large audit committees will result in a lack of enthusiasm for the task and a lack of collaboration among the auditors, which will hinder their ability to make wise choices. As a result, their abilities and expertise are not put to use. Authority structures have a significant impact on both good and bad IA. In contrast, a monarchy system's performance is negatively impacted by IA's lack of independence, while democratic systems encourage it<sup>54</sup>.

## **2.2 Theoretical Framework**

### **2.2.1 Institutional Theory**

Institutional Theory was developed and popularized by John W. Meyer and Brian Rowan in their seminal in 1977<sup>55</sup>." However, the foundational concepts of the theory were further expanded upon by scholars such as Paul DiMaggio and Walter W. Powell in the 1980s, particularly through their work on institutional isomorphism. Institutional Theory explores how institutions comprising established norms, rules, and beliefs shape the behavior and structures of organizations often adopt formal structures and practices not necessarily for efficiency, but to gain legitimacy within their institutional environment. Thus, organizations become similar over time due to coercive, mimetic, and normative pressures<sup>55</sup>.

Institutional theory provides a valuable framework for understanding how institutions, such as internal audit practices, shape organizational behavior and performance in the public sector. This theory explores the influence of institutional factors on decision-making processes, organizational culture, and performance outcomes within local governments. By examining the design, structure, and functioning of internal audit practices, we can gain insights into how these institutions impact the delivery of basic services, including education, healthcare, infrastructure, and economic empowerment programs.

Institutional theory posits that organizations are influenced by the broader institutional environment in which they operate<sup>55</sup>. Institutions, defined as sets of rules, norms, and practices, exert significant influence on organizational behavior and outcomes. These institutional pressures shape organizational strategies, structures, and routines, leading to the emergence of isomorphic behaviors and practices among organizations within the same institutional field.

Within the public sector, institutional theory helps explain how external regulatory framework, professional standards, and societal expectations influence the design and implementation of internal audit practices. Local governments are subject to various institutional pressures, including legal requirements, professional norms, and public expectations, which shape their approach to governance, accountability, and performance management.

Internal audit practices play a central role in shaping organizational behavior within local governments. These systems are responsible for evaluating internal controls, assessing risks, and providing independent assurance on the efficiency and effectiveness of organizational operations. The design, structure, and functioning of internal audit practices influence decision-making processes, accountability mechanisms, and organizational culture. A research highlights the role of internal audit practices in promoting accountability and transparency within public sector organizations<sup>56</sup>. Internal auditors act as watchdogs, monitoring organizational activities, and identifying areas for improvement. Their findings and recommendations influence decision-making processes, resource allocation, and policy formulation within local governments.

Furthermore, internal audit practices contribute to the development of organizational culture by promoting values such as integrity, professionalism, and ethical conduct<sup>42</sup>. The presence of robust internal controls and oversight mechanisms fosters a culture of accountability and compliance, where employees are incentivized to adhere to rules and regulations. This organizational culture shapes behavior at all levels of the organization, from frontline staff to senior management.

The effectiveness of internal audit practices has significant implications for the performance of local governments in delivering basic services. These systems help identify inefficiencies, mitigate risks, and improve governance effectiveness, ultimately enhancing service delivery

outcomes. In education, internal audit practices play a critical role in ensuring that resources are allocated efficiently, teachers are adequately trained, and infrastructure is maintained to a high standard<sup>38</sup>. By conducting audits of education budgets, expenditure, and performance indicators, internal auditors can identify gaps and recommend strategies for improvement, leading to better educational outcomes for students.

Similarly, in healthcare, internal audit practices help identify weaknesses in healthcare delivery systems, address issues such as supply chain management, and ensure compliance with medical standards and regulations<sup>34</sup>. Through regular audits of healthcare facilities, medical supplies, and patient care processes, internal auditors contribute to improving health outcomes and access to quality healthcare services. In infrastructure development, internal audit practices help ensure that funds allocated for maintaining streets, roads, and sanitation facilities are utilized effectively and transparently<sup>40</sup>. By assessing procurement processes, contract management, and project implementation, internal auditors can identify bottlenecks and recommend measures to improve infrastructure quality and accessibility.

Moreover, internal audit practices play a crucial role in monitoring the implementation of economic empowerment programs for youths and women. By evaluating program effectiveness, assessing the impact on beneficiaries, and identifying areas for enhancement, internal auditors contribute to the success of these initiatives<sup>35</sup>. Their findings help policymakers and program managers make informed decisions, allocate resources efficiently, and maximize the socio-economic impact of empowerment programs.

Institutional theory provides valuable insights into how internal audit practices shape organizational behavior and performance in the public sector. By examining the design, structure, and functioning of internal audit practices, we can understand how these institutions influence

decision-making processes, organizational culture, and ultimately, the delivery of basic services by local governments.

The effectiveness of internal audit practices has significant implications for governance effectiveness, accountability, and service delivery outcomes. By promoting transparency, accountability, and ethical conduct, internal audit practices contribute to improving organizational performance and enhancing public trust and confidence in local government institutions. It offers a useful framework for understanding the complex interplay between internal audit practices, organizational behavior, and performance in the public sector. By recognizing the institutional factors that shape internal audit practices, policymakers and practitioners can develop strategies to strengthen governance mechanisms, improve service delivery, and promote the overall well-being of citizens.

In the context of the study on the performance of local governments in Oyo State, Nigeria, Institutional Theory can be used to analyze how internal audit quality, independence, and monitoring & control activities are shaped by institutional pressures. These pressures may include regulatory standards, professional norms, and societal expectations.

Institutional Theory provides a robust framework for understanding why local governments adopt certain internal audit practices. It helps explain how these practices are influenced by the need for legitimacy and compliance with regulatory standards. Local governments often conform to established norms and practices to gain legitimacy in the eyes of their stakeholders, which includes regulatory bodies, the public, and other governmental entities. This compliance ensures that they are viewed as credible and reliable institutions.

Moreover, the theory sheds light on the convergence of internal audit practices across different local governments. This convergence is driven by coercive pressures, such as laws and

regulations that mandate certain audit practices; mimetic pressures, where local governments imitate the practices of successful counterparts; and normative pressures, which arise from professional standards and the expectations of the auditing profession. Understanding these pressures helps explain why internal audit practices tend to be similar across various local governments, despite differences in their specific contexts.

Using Institutional Theory also allows the study to consider the broader social, cultural, and political context influencing internal audit practices. It recognizes that these practices are not developed in isolation but are shaped by a wide array of external factors, including societal expectations and political dynamics. This broader perspective ensures a comprehensive understanding of how internal audit practices affect the performance of local governments.

### **2.2.2 Agency Theory**

Agency Theory was developed by Michael C. Jensen and William H. Meckling in 1976<sup>57</sup>. Agency Theory is the relationship where one party (the principal) engages another party (the agent) to perform some service on their behalf, which involves delegating some decision-making authority to the agent<sup>56</sup>. This theory focuses on the challenges of organizing relationships where the principal depends on the agent to carry out tasks, emphasizing issues like incentives, information asymmetry, and aligning interests. The development of the theory, highlighting the motivation of principals (such as shareholders) to ensure agents (such as company executives) act in their best interests, despite differing incentives and access to information<sup>57</sup>. The theory,

focusing on the problems that arise from differing goals or risk preferences between principals and agents, and the complications associated with information asymmetry<sup>57</sup>.

Agency theory posits that when principals delegate decision-making authority to agents, there is a potential for misalignment of interests and goals<sup>57</sup>. Agents may pursue their own interests at the expense of principals, leading to agency problems such as moral hazard, where agents shirk responsibilities, and adverse selection, where agents select projects or actions that benefit them personally but may not align with the principals' objectives. Agency theory provides a valuable framework for understanding the dynamics of principal-agent relationships within the public sector and the role of internal audit practices in mitigating agency problems. This theory examines how conflicts of interest and information asymmetry between principals (citizens, government) and agents (local government officials) can lead to suboptimal outcomes, such as moral hazard, adverse selection, and rent-seeking behavior. By promoting accountability, transparency, and efficient resource allocation, internal audit practices play a crucial role in enhancing performance in public sector service delivery.

In the public sector, citizens and government entities act as principals, delegating authority to local government officials who serve as agents responsible for managing public resources and delivering services. However, due to information asymmetry and divergent interests, agency problems may arise, undermining governance effectiveness and service delivery outcomes. Internal audit practices serve as important mechanisms for mitigating agency problems within the public sector. These systems provide independent oversight, evaluate internal controls, and assess compliance with policies and regulations. By promoting accountability, transparency, and integrity, internal audit practices help align the interests of agents with those of principals, thereby enhancing governance effectiveness and service delivery outcomes<sup>58</sup>.

Internal audit practices promote accountability by holding local government officials accountable for their actions and decisions. Through regular audits, internal auditors assess the effectiveness of internal controls, evaluate the use of public funds, and identify instances of fraud, waste, and abuse. By providing transparent and impartial assessments, internal audit practices help build public trust and confidence in government institutions, thereby reducing the likelihood of agency problems. Also, Internal audit practices contribute to efficient resource allocation by identifying inefficiencies, eliminating waste, and optimizing the use of public resources. Through performance audits and reviews, internal auditors assess the effectiveness and efficiency of public programs and initiatives. By recommending improvements and best practices, internal audit practices help local government officials allocate resources more effectively, thereby maximizing the value of public investments and improving service delivery outcomes<sup>59</sup>.

Internal audit practices play a critical role in risk management within the public sector. By identifying and assessing risks, internal auditors help local government officials anticipate potential challenges and mitigate adverse outcomes. Through risk-based audits and evaluations, internal audit practices enable proactive risk management strategies, ensuring that resources are safeguarded, and service delivery remains uninterrupted<sup>60</sup>.

Agency theory offers valuable insights into the dynamics of principal-agent relationships within the public sector and the role of internal audit practices in mitigating agency problems. Internal audit practices serve as important mechanisms for mitigating agency problems within the public sector. Through the promotion of accountability, transparency, and efficient resource allocation, these systems help ensure that local government officials act in the best interests of citizens and government entities. Through independent oversight and evaluation, internal audit practices

contribute to improved governance effectiveness and enhanced service delivery outcomes in the public sector.

In the context of the study on the performance of local governments in Oyo State, Nigeria, Agency Theory can be applied to analyze the relationships between various stakeholders involved in the internal audit process, including the internal auditors, local government officials, and the public. The theory provides insights into how these relationships impact the quality and independence of internal audits, as well as the effectiveness of monitoring and control activities.

Agency Theory, developed by Jensen and Meckling in 1976, is centered around the principal-agent relationship. In this context, the principals are the citizens and taxpayers who expect local governments to manage resources efficiently, while the agents are the local government officials and internal auditors who are responsible for overseeing and implementing financial practices. Agency Theory helps explain the dynamics of this relationship, including issues of trust, accountability, and incentives.

One of the key concepts of Agency Theory is the agency problem, which arises when the interests of the principals and agents are not perfectly aligned. In the case of local governments, there may be a divergence between the interests of the public (principals) and the actions of local government officials (agents). This misalignment can lead to issues such as financial mismanagement, fraud, and inefficiencies. By applying Agency Theory, the study can explore how internal audit quality, independence, and monitoring and control activities help mitigate these agency problems by enhancing accountability and ensuring that the actions of local government officials align with the interests of the public.

Agency Theory also emphasizes the importance of incentives and monitoring mechanisms in addressing agency problems. Internal audit practices serve as a crucial monitoring mechanism

that helps ensure transparency and accountability in the management of public resources. The independence of internal auditors is particularly important in this context, as it allows them to provide unbiased assessments and recommendations without undue influence from local government officials. By examining how internal audit practices are designed and implemented, the study can provide insights into how effective these mechanisms are in promoting good governance and improving the performance of local governments.

Additionally, Agency Theory provides a framework for understanding the role of information asymmetry in the principal-agent relationship. Local government officials often have more information about the financial operations and internal controls than the public, which can lead to an imbalance of power and potential misuse of resources. Effective internal audit practices can help reduce this information asymmetry by providing transparent and accurate reports on financial performance and control activities. This transparency helps build trust between the local government and the public and ensures that resources are used in a manner that benefits the community.

## **2.3 Empirical Review**

### **2.3.1 Internal audit practices and Performance in Public Sector**

A study examines the effect of internal audit on expenditure control in Mubi North Local Government Area. This study employed the survey research design. From the population of the study 50 staffs were selected as a sample for this study. The instrument used for collecting data from the respondents is the questionnaire. The data gathered from the respondents was analyzed using simple percentage statistics and hypothesis was tested using chi-square. The finding shows internal audit in Mubi North LGA is very ineffective. This is because internal audit is not carry

out effectively, internal audit has significant effect on expenditure control and among the factors militating affecting the effectiveness of internal audit in Mubi North LGA, low quality of staff is the most importance factor. The study therefore, recommends that there is need for top management of LGA to give high priority to internal audit, by putting in place strategies that will lead to effective practice of internal audit among the staff of the LGA which in turn will lead to effective expenditure control<sup>61</sup>.

Another study explains the transformation process from using regular enterprise resource planning (ERP) system into implementing Cloud ERP system in the UAE public sector. The study uses a qualitative case study and analyzes the primary evidences from in-depth interviews with the case organization's personnel. It conducts a thematic analysis of the interviews' findings. Furthermore, the study uses secondary and tertiary resources from published sources comprising the case organization's website and previous studies. The findings demonstrated that the transformation process to Cloud ERP could result in different practical benefits in an organization's controlling system, cost reduction and profitability. Conversely, results revealed that the effectiveness of implementing cloud ERP is dependable on the provider's professionalism; hence resulting in issues related to minimized organizational independence. In addition, the paper's findings provide evidenced clarifications about the controversial misconceptions of Cloud ERP's privacy issues. The study is exposed to the regular case studies limitations, as the study is a qualitative research studying one case company. Thus, the study findings should be strengthened by future quantitative researches on more companies with implying more statistical analysis<sup>62</sup>.

A study determines the problems experienced during the implementation of the internal audit practices in state universities, which are a public administration, within the framework of

international internal audit standards. Solution suggestions were made to the identified problems. In the research, a field study was conducted to determine the perceptions of senior supervisors working at Dicle University about the internal audit practices at the university and their thoughts on compliance with international auditing standards. The application part of the research consists of two parts. The first part consists of 5 questions to determine the demographic characteristics of the personnel participating in the research. In the second part of the research, it consists of 26 statements that will determine the opinions of the personnel on the harmonization of internal audit with international internal audit standards within the scope of the study. In general, it is found that the participants of the research have an indecision about their working statements. Particularly, while disagreement comes to the fore in statements about international auditing standards, it is observed that the state of agreeing with statements about the role of internal auditing has increased. As a result of this study, it is thought that the internal audit activities of the university staff are insufficient, there is not enough internal auditor in the university and the information about the internal audit activities is insufficient<sup>63</sup>.

A study aims at understanding the action of pilot entities, in order to ultimately infer about their role to the overall reform process of public sector accounting (PSA). Taking the Portuguese case as a reference, the new institutional theory (isomorphism perspective) and institutional logics are used to explain the action and stance of pilot entities in the implementation process of reforms. It was found that pilot experiments are expected to provide feedback on the main difficulties felt in the implementation of a new PSA system, helping to define a global strategy to overcome those problems and to improve the system to be generally and finally put into practice. Nevertheless, entities seem to find it important to be pilots, more for individual advantages than for the common benefit of the reform as a whole. Therefore, in order for them to actually be important

actors in the reform process, pilots need to be included in the decision process, better realizing the benefits of the new IPSAS-based system and be provided with the proper technical, human and financial support<sup>64</sup>.

Another study was basically conducted to ascertain possible connections between audit independence and quality of auditing in Nigeria. The objectives were centered on assessing possible effect of audit cost, audit workers rotation and audit tenure on quality of audit in Nigeria. The study employed ex-post-facto research design based on data sourced from selected firm's yearly reports for time period that ranged from 2010 to 2019. The research used panel least square procedure based on fixed and random effect framework and houseman test was equally employed in select best model for to estimate parameters contained in the model. Findings from research analyses revealed that audit cost negatively and appreciably effected audit quality in these selected Nigeria based banks, and that audit workers rotation negatively and inappreciably effect audit quality in these selected Nigeria based banks. Lastly, the research revealed that audit tenure negatively and inappreciably effect audit quality in these selected Nigeria based banks<sup>65</sup>.

Adequately stable and profitable performance of a firm requires continuous control and regulation of particular performance indicators, management of potential risk and uncertainties derived from market conditions and regulatory framework in the economy. Weaknesses and threats in performance and financial profile of a firm are often identified through findings of internal audit which serves as an internal financial security and early warning system. Nowadays benchmarking and unification actions in internal audit principles and methods actively have been taken around the world due to expanding asymmetry and competition in the market. The study analyses the current and prospective condition of adoption of internationally recognized internal audit principles, procedures and methods in private sector of Uzbekistan's economy<sup>66</sup>.

A study shows a process of internal audit of quality management system in a selected production organization and analyse it. Internal audit was performed according to the technical norm ISO IATF 16949:2016. Internal audit of a system was elaborated in a production organization focused on automobile components. First, it analysed time schedule of internal audit practices. Audit was divided into three days. They audited branch in Trnava and two branches in Levice. After audit we elaborated a report from the internal audit where findings were registered during audit. These were divided to the main variations, fine deviations and potentials for improvement. Within audit we found one main deviation in Levice, in the branch called Géňa risk analysis for all the production processes (process FMEA) was not elaborated. For the deviation and for other fine deviations we made a catalogue of corrective actions. These are necessary to be implemented into processes of organization. They also made a catalogue of actions for improvement potentials, which enable us to gain higher effectiveness of production processes<sup>67</sup>.

The main aim of a study was to investigate the impact of internal audit on financial performance of money deposit banks in Nigeria. The population of this study was 22 commercial license banks in Nigeria in which 16 money deposit banks were sampled using judgmental sampling technique and hypergeometric formula. Primary data with respect to questionnaires were used to collect data. 15 questionnaires were distributed to each sampled bank but in all the 360 questionnaires distributed, 334 questionnaires were correctly retrieved and found usable. The research tools used were Ordinary Linear Regression (OLS) with correlation, Adjusted R Square and Standard Error using IBM SPSS Statistics 20 software. The result( $r=28.9\%$ ) showed that there was a relationship between internal audit and the profitability of money deposit banks in Nigeria. Also, internal audit reporting channels have a positive effect ( $r=25.5\%$ ) on financial performance of money deposit banks in Nigeria. The study concluded that there was a positive

relationship between internal audit and the financial performance of money deposit banks in Nigeria. Likewise, internal audit reporting channels have an effect on financial performance of banks in Nigeria<sup>68</sup>.

A study assessed auditing and internal control mechanisms, based on an instrument of accountability in Ekiti State, Nigeria. The study also investigated the impact of internal auditing on accountability of public sector in Ekiti State, internal control influenced accountability of public sector in Ekiti State and examined the effect of auditing and internal control on accountability and transparency of public sector in Ekiti State, Nigeria. The study adopted descriptive research design of the survey method in order to obtain opinion of the entire population and probability sampling technique was used to select one hundred and twenty (120) respondents among member of staffs of public sectors in Ekiti State. The instrument used for the purpose of the study was a questionnaire designed by the researcher and the data collected were analyzed through the use of percentage frequency counts and regression method. Based on the result of the findings, ( $t = 0.000$ ;  $p < 0.05$ ); therefore, internal auditing have significant effect on accountability of public sector, ( $t = 0.000$ ;  $p < 0.05$ ); internal control have significant effect on accountability of public sector and lastly the study found that ( $t = 0.000$ ;  $p < 0.05$ ) auditing and internal control have significant and positive effect on accountability and transparency of public sector in Ekiti Stat, Nigeria<sup>69</sup>.

A research aims to know the concept of the internal control system, its systems and types, the foundations of its management, its evaluation mechanisms, and the procedures followed in its application, and the statement of the role of internal control in raising the efficiency of public universities and developing their performance in light of the application of modern COSO

components. One of the most important conclusions is that the internal control systems have faced significant challenges in light of globalization and information technologies and financial reports that reduce the expectations gap of users of financial reports as a result of many transformations and economic and commercial changes in light of the business environment and modern technologies. Among the most important recommendations is the need for public universities to adopt the internal control system in accordance with the COSO framework and to pay attention to the application of its components to achieve efficiency and effectiveness of operational processes, enhance the credibility of financial statements, and ensure that employees comply with the laws and regulations in force within these universities and follow developments that can be developed in this the field<sup>70</sup>.

A study investigated the effect of internal audit on the financial performance of some manufacturing industries in the consumer-goods sector quoted on the Nigerian Stock Exchange. The study employed a descriptive research approach. Ten (10) industries in the consumer-goods sector were randomly selected for the study while secondary data was used to gather information from their published financial statements for the period 2008-2017. The researchers adopted a panel data. Descriptive analysis was done using mean, median and standard deviation while inferential analysis was carried out using multiple regression analysis. The study found that internal audit had significant influence on the financial performance of quoted manufacturing industries in Nigeria. Professional competency of internal auditors and the internal control system showed positive and significant influence while independence of internal auditor had significant but negative influence on the financial performance of the manufacturing industries<sup>71</sup>.

Internal control systems play a vital role in achieving the objectives of an organization. A study assessed the internal control system of tertiary institutions in Nigeria using four tertiary

institutions in South West, Nigeria. Data was collected through primary source using questionnaire. The method of data analysis was descriptive statistics. Findings revealed that many components of internal control system are properly situated except that the internal audit unit of those institutions are not independent. The study therefore recommends that internal audit unit should have an independent department and the head of that department should report directly to the highest level of management within the institution<sup>72</sup>.

A study reviews post-2009 literature on public sector internal auditing (IA) and addresses three interrelated research questions (RQ): How is research on the public sector IA being developed? What are the focus and criticisms of the literature on public sector IA? What is the future of public sector IA research? They adopt a systematic literature review approach and analyse 78 peer-reviewed journal articles published between 2010 and 2019. It evaluate five criteria to identify the development of public sector IA research (RQ1): namely level of government, academic discipline, number of countries, location/region, and MSCI country classification. Similarly, it used four criteria to present the focus and criticisms of the literature (RQ2): namely, type of organizational respondent, research instrument, theories, and research theme examined. Finally, it used two criteria to answer the third research question (RQ3): namely the ‘criticisms’ of RQ1 and RQ2, and the most influential studies in terms of total citations and citations per year. It found an increase of publications up to 2017, most of which are single-country focused, particularly on emerging markets. Moreover, we note that IA has been studied at all government levels, most often at the local government level. Although we identify multiple research themes examined in the literature, most studies emphasize “governance” and “operational effectiveness” using quantitative analysis, without reference to any theory<sup>73</sup>.

A study reviews the field of internal auditing (IA) post-Enron to develop insights into how IA research has developed, offer a critique of the research to date and identify ways that future research can help to advance IA. A structured literature review (SLR) was used to analyse 471 papers from 64 journals published between 2005 and 2018 based on a number of criteria; namely, author, journal type, journal location, year, theme, theory, nature of research, research setting, regional focus, method and citations. The IA literature has not significantly contributed to knowledge of the internal audit function (IAF), and we still know relatively little about the factors that contribute to making the impact of IA practice effective and measurable. The IA literature is US dominated (authors and journals), focused on the American context (publicly listed companies), reliant on positivist analyses and largely makes no explicit reference to theory. Central regions (emerging economies) and key organisational settings (private SMEs and not-for-profit organisations) are largely absent in prior IA research. The study evaluates and identifies avenues through which future research can help to advance IA in order to address emerging challenges in the field<sup>74</sup>.

The purpose of a research was to study the effect of internal control system and human resource competence on information quality of local government financial statement and financial accountability. The method of collecting data is questionnaire which is distributed among 161 out of 303 population of employees of the Agency (Dinas) in the Government of South Sumatra Province, Indonesia. The collected data is processed by using SPSS 20.00 with t-test and Path Analysis. The result shows that internal control system and human resource competence positively influenced on the information quality of local government financial statement. Internal control system and human resource competence also influence positively on financial accountability both directly and indirectly mediated by the information quality of local

government financial statement. Moreover, the information quality of local government financial statement directly and positively influence the financial accountability. The results of this study can be beneficial for the government as input and material considerations in determining policies specifically related to improve the quality of information on government financial statements and financial accountability<sup>75</sup>.

A study examines the relationship between internal control system and risk assessment in Board of Internal Revenue in Bauchi State. Data were generated with the aid of necessary information collected from the study through the cross-sectional survey through the administered of questionnaire. A total population size of 150 were selected and sample size of 109 was determined using Taro Yamane's formula at 0.05 level of significance. Also, 109 copies of questionnaire were distributed to the respondents, while 87 copies were completed and retrieved. The instruments were validated with reliability above 0.8 co-efficient, using Cronbach Alpha Technique. six research questions and six hypotheses were raised which was tested with spearman's rank order co-efficient of correlation using SPSS 20 version. From the findings, the concept of internal control system creates positive impact on risk assessment and risk financings. In conclusion, internal control system has a significant impact in risk assessment in the Nigerian public sector<sup>76</sup>.

A study was carried out on the evaluation of accounting and internal controls systems of an organization and its effect on quality audit. The evaluation is to serve as a basis upon which the external auditor is to obtain basic knowledge of the systems and to decide whether or not to rely on them and to what extent of such reliance so as to ensure quality audit. Descriptive research design was employed to describe the basic processes involved in evaluating the systems. The outcome revealed a basic knowledge that the management is responsible for the establishment

and maintenance of an effective Accounting and Internal control system, but it is the duty of the external auditors to evaluate and ascertain the effectiveness of these systems in order to decide whether or not to place reliance on the existing systems and to what extent would be such reliance. The basic processes involved in the evaluation of the systems as well as the methods (Narrative Notes, Flowcharts, and Questionnaires) that could be employed were highlighted. Communication of the outcome of the evaluation to the appropriate authority were also described and a conclusion drawn<sup>77</sup>.

A study examines the impact of internal control system (ICS) on financial accountability of non-governmental organisations (NGOs) in Nigeria. Data was collected from primary source through the administration of three hundred and fifty-two (352) questionnaires distributed to the respondents that were selected through multi-stage sampling techniques of forty-four different NGOs in North-Western Nigeria. Data retrieved from the survey were analysed using multiple regressions analysis and the PLS in bound structural equation modelling technique. The findings of the study revealed how ICS is found to be having the significant potencies of enhancing or derailing the quality of services rendered by the NGOs and has the combined effects of predicting proper accountability in NGOs, taking all factors constant. In addition to the foregoing, the study discovered how a 1% decrease in risk assessment results to 0.155 increases in proper accountability in NGOs and vice versa. Failure of government to provide NGO regulatory laws and agencies or boards as well as the inactive participation of government in generating counterpart funding, poor attitude towards strengthening and sustainability of services often times result to poor service delivery to the targeted beneficiaries<sup>78</sup>.

### **2.3.2 Internal Auditor's Quality and Performance in Public Sector**

Another study examined the relationship that existed between some variables of internal audit such as financial controls, management controls, public sector efficiency and public sector management. In the study, primary data was utilized through the administration of 150 copies of questionnaire to respondents in internal audit, ministries, departments, agencies, parastatals and commission in Ondo state, but 144 copies were received. Simple percentage, descriptive statistics and categorical (general) least square were used as data analysis techniques. The findings of the study revealed that; internal audit quality such as internal audit competence (COMP), internal objectivity (OBJEC), internal audit challenges (CHAL), and internal audit performance (PERF) had a positive and statistically significant relationship with financial controls in the selected public entities in Nigeria. Internal audit quality such as internal audit competence (COMP), internal audit objectively (OBJEC), internal audit challenges (CHAL), internal audit performance (PERF) had a positive and a statistically significantly relationship with the effective management controls in the selected public entities in Nigeria. Internal audit quality such as internal audit competence (COMP), internal audit objectively (OBJEC), internal audit challenges, internal audit performance (PERF) had a positive and statistically significant relationship with public sector service delivery in the selected public sector entities in Nigeria<sup>79</sup>.

A study examines the extent to which the determinants of internal audit staff have the potential to influence the predictive value of the public sector control environment. The tools of the work are presented by a quantitative correlation analysis to determine the interdependence of variables (aspects of recruitment, accountability) and resultant indicator (public sector environment). By systematizing literary sources and approaches to solving the problem, as well as using the COSO 2013 Internal Control Framework as a theoretical framework, the authors focus on the question of how much internal audit recruitment, and accountability experience can influence in the

foreseeable future and each of the two major COSO components. The empirical analysis was presented in the research, which made it possible to substantiate the following conclusions: the results of two multiple linear regression models did not show statistically significant except for recruitment, nonparametric correlation of Kendall's Tau-b correlation is allowed to identify significant interrelationships development<sup>80</sup>.

Despite the theoretical importance of the SME sector, business growth of SMEs has been sluggish in Nigeria. The study employed the survey research design to conduct the research work. The population of the study consists of managers, supervisors, accountants/accounts officer, internal auditors, owner managers and other responsible employees of organized SME retailed shops in Oshodi/Isolo Local Government Area of Lagos State, which was estimated at 150 and a sample size of 109. Data was collected using a structured questionnaire constructed by the researchers. The regression analysis with the aid of SPSS (version 25) was adopted to analyze the data. The regression model indicates that internal auditing function a statistically significantly predict business growth of SMEs in Nigeria  $\{F(3,98) = 3.716; P = 0.14\}$ . Thus, the study concludes that the internal auditing function has positive and significant impact on business growth of SMEs<sup>81</sup>.

Quality internal audit (IA) plays a crucial role in accountability, transparency and preserving public properties. A study gives a brief background of the IA system in Yemen and examines its impact with regards to financial performance in Yemeni commercial banks based on five factors: (i) independence of IAs, (ii) adherence to IA standards, (iii) governance principles implementation, (iv) size of the IA, and (v) frequency of internal audits committees' meetings. The primary data for the study were collected through a questionnaire prepared for this purpose.

Fifty questionnaires were distributed out of which forty-two were retrieved and valid in the analysis process. For the empirical analysis, descriptive analysis and T-test were used for verification of the research hypotheses. Results revealed that sticking to standards internal audit, internal auditors' independence and quality governance have significant impact on banks' financial performance, while the size of internal audits committees, as well as their meeting, frequently has insignificant positive impact on banks' performance. Moreover, the country results show that the use of automated internal audit in banks has an impact on improving financial performance<sup>82</sup>.

The research provided empirical evidence on how internal corporate governance practices were proxied by board size, board independence, and share ownership by institutional investors with firm size and leverage as control variables. It might influence the choice of the external auditor, (a dummy proxied with the Big4 versus non-Big4 audit firms dichotomy). The sample was composed of 27 purposely selected quoted non-financial firms spread across 10 sectors on the Nigerian Stock Exchange (NSE). There were 189 firms/year of dataset observations. These secondary panel data were sourced mainly from selected firms' annual reports and accounts from 2011 to 2017. Moreover, descriptive analysis and test of mean difference were conducted, while the panel logistic regression was adopted as the estimation method. The test of mean difference reveals that many firms with larger board size, board independence, and considerably higher institutional investors engage Big4 auditors. Meanwhile, firms with higher leverage employ non-Big4 auditors. The results from the multivariate analysis show that key determinants of the choice of external auditors are board independence and firm size. This suggests that firms have a higher propensity of choosing a Big4 audit firm as the number of independent board members, as well as their increase in sizes. These findings are mostly consistent with previous studies<sup>83</sup>.

Auditing has to adapt to the growing amounts of data caused by digital transformation. One approach to address this and to test the full audit data population is to apply rules to the data. A disadvantage of this is that rules most likely only find errors, mistakes or deviations which were already anticipated by the auditor. Unsupervised anomaly detection can go beyond those capabilities and detect novel process deviations or new fraud attempts. It conducted a systematic review of existing studies which apply unsupervised anomaly detection in an auditing context. The results reveal that most of the studies develop an approach for only one specific dataset and do not address the integration into the audit process or how the results should be best presented to the auditor. It therefore develop a research agenda addressing both the generalizability of unsupervised anomaly detection in auditing and the preparation of results for auditors<sup>84</sup>.

The main objective of a study is aimed at evaluating the role internal audit play in the effective performance of an organization for sustainable development in Nigeria. The research uses both primary and secondary sources of data collection. The survey design was adopted in conducting the study so as to give an insight into the topic understudy. The population of the study comprises of 55 staff of a Local Government area in Kogi State, Nigeria. Taro Yamane formula was used to selecting 48 staff of the LGA as sample size because the nature of financial misappropriation committed in all the local government areas in Nigeria appears to be the same. The analytical tool used in analyzing the data collected for this study is descriptive statistical tools. The descriptive statistical tools used were simple percentages and tables. Analysis of Variance (ANOVA) was used in testing the hypothesis formulated. On testing the hypothesis it was discovered that internal audit has significant influence on the effective performance of an organization for sustainable development<sup>85</sup>.

Another study advances the Accounting Information System (AIS) study by exploring the relationship between the AIS internal audit quality. It develops a model based on literature and considers one significant variable of mediation that is organizational culture. The AIS is expected to influence internal audit quality in different contexts, particularly in developing countries. The research model validated using AMOS and SPSS version 25. Based on a sample of 183 internal auditors in Jordanian industrial SMEs, empirical findings support the relationship between AIS and internal audit quality; however, the impact is direct while the organizational culture partially mediates this relationship. The results indicate that the AIS help enhance internal auditors' quality and the organizational culture, ultimately improving internal audit quality. The implications are useful for academics, administrators, and policymakers interested in evaluating the impact of intervening variables on the AIS and the internal audit quality relationship<sup>86</sup>.

The study examined the effects of information technology on internal audit in Southwest Nigeria Universities. Primary data were employed and questionnaires were distributed to the selected Universities. Out of 180 questionnaires, 152 questionnaires were filled and returned by the respondents. The study employed factor analysis and binary logit regression analysis as estimation techniques. The findings from factor analysis showed that Kaiser-Meyer-Olkin and Bartlett's tests value was 0.786(78.6%) implying that the variables have a 78.6% variation in the data. The value of components variance revealed 62.750 on component 4 indicating that at component 4 there was 62.8% factor variation in the data. Nonetheless, the logit regression equation revealed that fraud discovery of IT (FD) has a positive and insignificant effect on internal audit. Also, IT effectiveness (ITE) revealed that ITE has a negative and significant effect on internal audit. Equally, asset recovery (AR) exhibited a negative and insignificant effect on

internal audit. Furthermore, the external audit (EA) has a positive and insignificant effect on internal audit<sup>87</sup>.

A study assessed the internal audit efficiency of public sector in Nigeria with a view of its major determinants. The data used were collected from primary sources of which two ministries were selected using purposive sampling technique because they had almost the same structural and operational characteristics in their internal audit structures. Data gathered were proportionately stratified through random sampling technique, descriptive statistic and Z-test was used for data analysis. The results of analysis shown that (Z-test is greater than the critical value, Compute value > critical value i.e. 13.546 > 1.98) internal audit efficiency has significant effect on the performance of the Nigerian public sector. The results from the respondents to the determinants in the area of public performance on the incidence of irregularities by the appropriate authorities, flaw of audit model and accounting system, inadequacy of the internal control system and non- implementations of routine audit report has contributed to the challenges of internal audit efficiency Based on the findings on these determinants, internal audit in Nigerian has contribute to the challenges of inefficiency of the internal audit performance in the public sector and the internal audit functions are conducted in conformance with the International Standards for the Professional Practices in Auditing<sup>88</sup>.

A study examines the effect of internal audit function on financial performance of commercial banks in Nigeria. The specific objectives of the study are to: determine the extent internal audit control significantly improve the financial performance of commercial banks in Nigeria and ascertain the level of internal audit procedures in curbing fraud to facilitate financial performance of commercial banks in Nigeria. The study adopted survey research design. The population of the study consists of seven (7) branches each from five (5) selected commercial

banks in Enugu metropolis, Enugu State of Nigeria, which comprises of managers, internal control officers, fund transfer officer, and cash officers. Data collected for the study were analyzed by the researchers using frequency counts, mean score and standard deviation. The two hypotheses were tested using simple regression statistical tool with aid of SPSS version 20.0 at 5% level of significance. The analysis revealed that internal audit control and procedures have positive effect on financial performance of commercial banks in Nigeria and this effect is statistically significant at 5% level of significance<sup>89</sup>.

The purpose of financial reports is to deliver reliable financial information that is useful for different categories of stakeholders to take well-informed decisions. The primary role of the audit committee is to supervise the internal process of preparing financial report and to ensure that the conflict of interest between management and shareholders is minimized so as to enhance the quality of financial report. The study examined the effect of Audit Committee Effectiveness on the growth of Firms Performance in Nigeria with emphasis on Eight Public Quoted Banks in Nigeria. The data were sourced from the annual reports and accounts of eight banks in Nigeria for 2011-2015 independent variables proxied on the size of audit committee, the frequency of meetings of audit committee and the financial literacy of audit committee members while profit before tax was the dependent variable. The data were analyzed using Ordinary Least Square (OLS) regression and E-view software package was used. The findings revealed that audit committee size, frequency of audit committee's meetings and financial literacy of audit committee members have no significant effect on firms' performance in Nigeria. The variables in the model is insignificant at the 5% critical level and the regression coefficient reveals that 5.31% of the total variation in firms performance is accounted for by audit committee size, 11.18% of the total variation in firms performance is accounted for by audit committee's

frequency of meeting and 8.16% of the total variation in firms' performance is accounted for by the financial literacy of audit committee members<sup>90</sup>.

A study examined the internal auditor's qualities of ICT competency skill, qualification and experience and independence and their direct effect on the detection of fraudulent financial reporting in banks. The study made use of a cross-sectional survey design with population of 471 employees in the internal audit departments of selected 10 banks in Nigeria. A structured and validated questionnaire was used to collect data from a sample of 216 internal auditors. Cronbach's Alpha reliability coefficients for the constructs ranged from 0.702 to 0.837. A response rate of 100% was achieved. The study revealed that internal audit positively and significantly affects detection of fraudulent financial reporting (Adj. R2 = 0.363, F(4, 211) = 31.91, p < 0.05) and internal auditors' qualities significantly moderated the effect of internal audit on the detection of fraudulent financial reporting (Adj.R2 = 0.029, F(4, 211) = 10.51, p < 0.05). It was concluded that internal audit is germane in curbing the incidence of fraudulent activities in the Nigeria banks<sup>91</sup>.

A close related study examines the interaction between internal auditors' personality traits and the internal audit function effectiveness. It also investigates the effect of such interacted variables on financial reporting quality. The study employed a questionnaire survey to collect data from 193 internal auditors of Jordanian companies listed on the Amman Stock Exchange. The results reveal that all the examined personality traits of internal auditors significantly impact internal audit function effectiveness except for the extraversion trait. The results also show that personality traits have indirect effects on financial reporting quality via internal audit function effectiveness. These results suggest that internal auditors with high scores on openness to experience, emotional stability, and conscientiousness traits can be among the most significant

contributors to the internal audit function effectiveness. The results also suggest that internal auditors' personality traits can be regarded as an internal audit function intangible resource that enhances effectiveness<sup>92</sup>.

### **2.3.3 Auditor Independence and Performance in Public Sector**

A study aims to identify the extent to which auditors are aware of the means and procedures involved in modern control system and internal audit, evaluate the possibility of applying modern methods to the internal control and auditing systems and identifying the factors that lead to the spread of corruption and ways to address them. Primary data for the study were collected through a questionnaire prepared for this purpose and distributed to offices of internal audit management and financial department in public telecommunication corporation, 45 questionnaires were distributed, and 42 valid questionnaires were retrieved in the analysis process. Therefore, the percentage of recovered questionnaires adopted was about 93% of the distributed questionnaires. This study proves that the factors encourage financial corruption in Yemen include weak internal control systems, deficiencies in accounting systems, insufficient penalties, very low salary, and nepotism. Further, it is revealed that Yemen has deeply rooted and institutionalised administrative financial corruption. The study is beneficial for academicians, policy makers, government agencies and the management of Yemeni public telecommunication corporation<sup>93</sup>.

A study investigates factors that are associated with internal audit effectiveness. Additionally, this paper also investigates the relationship between internal audit effectiveness and internal audit quality. A total of 102 questionnaires were collected from internal auditors and chief audit executives of 12 multinational companies in Malaysia. The data was analyzed through structural equation modeling by using SmartPLS Software 3.0. The findings reveal that management

support, interdepartmental coordination and the support and acceptance of auditees were associated with internal audit effectiveness. Conversely, the findings also revealed that independence, objectivity and competence (the three building blocks of internal audit effectiveness) were also related to internal audit quality. The study contributes to the agency theory by highlighting the factors associated with the effectiveness of internal audits and quality audit outcomes to protect the best interest of principals while fulfilling the corporate governance imperative. The study also contributed to the institutional theory by highlighting how proper structures and systems can lead to a culture of governance and internal controls. The study confirmed the significance of interdepartmental coordination and the support and acceptance of auditees towards internal audit effectiveness, the exploration of which remains limited in current literature<sup>94</sup>.

A study examines the role of board independence in determining the audit quality of firms. The study utilised 71 non-financial firms for the periods 2009 to 2016. Audit quality was measured using a dummy variable of '1' and '0', with 1 representing the use of a big four auditor by the firm and 0 otherwise. Board independence was measured using the proportion of nonexecutive directors to total directors. The data collected was analysed using the binary logit regression analysis. The findings reveal that board independence is negatively related to audit quality. The study highlights the importance of having proper mix of competences on the board. The study recommends that the composition of non-executive directors as members of the board should be sustained and improved upon<sup>95</sup>.

Another study evaluated the attributes of internal audit practice and its influence on reporting quality of selected firms. Secondary data of nine (9) years range (2010 to 2019) were obtained from the financial reports of (4) four food and beverages firms purposively selected out of the

twenty-three (23) listed on the Nigeria Stock Exchange as of December 2020. The internal Audit practice is the independent variable in this study and it is measured by three factors (Internal Audit fee, Technical Proficiency of internal auditor, and Firm Size). The dependent variable is the financial reporting quality. Mean ranking analysis was used to evaluate determinants of Internal Audit attributes in the selected firms while regression analysis was employed to measure the influence of internal audit quality on the financial reporting quality of sampled firms at 95% confidence level. The overall results ( $R^2 = 0.8481$ ;  $F\text{-values} = 21.51$  and  $P\text{-Value} = 0.000$ ) revealed that all the identified internal quality attributes (Internal Audit fee, Technical Training Proficiency, and Firm Size) were significantly related to internal audit practice and positively influence the financial reporting quality and performance of selected sampled food and beverages firms in Nigeria<sup>96</sup>.

The purpose of a study was to assess the impact internal audit function on financial reporting quality among private listed companies. It is a survey study by means of questionnaire administered on a sample of 97 private listed companies in Nigeria. Hypotheses were analysed by way of path coefficient using PLS-SEM. Financial reporting quality disclosure index was used as proxy for FRQ based on qualitative characteristics of accounting information developed by the IASB conceptual framework. To analyse for internal audit function and financial reporting quality variables, the opinion of the head of internal audits was considerations on a five point Likert scale. The study revealed no significant relationship between internal audit competencies and financial reporting quality. However, the results shows that both internal audit independence, internal audit work performed, risk-based internal auditing and coordination between internal-external auditors were significantly and positively related to financial reporting quality. The

study findings support the contention with regards to the agency theory that effective internal control mechanisms have the potential for improving the financial reporting quality<sup>97</sup>.

A study aims at effectiveness of the accounting information system and internal audit help managements in the decision-making process. The auditors and accountants' experience might improve the process of decision-making. Yet, the experience impact on the efficiency of the accounting information system and internal audit relation was not examined in the former studies. The major goal of this study is to develop a measurement model for the influence of accounting information system characteristics on internal audit effectiveness, while taking into account the moderating effect of experience. The characteristics are represented by five selected constructs comprising flexibility, relevance, timeliness, reliability and integration. To attain the research aim, a quantitative approach via a questionnaire has been utilized with 365 respondents comprising auditors and accountants in a number of corporations in Iraqi Stock exchange. AMOS and SPSS are implemented for data analysis and to establish the measurement model. The findings indicate that the values of the measurement model are acceptable and the model is sufficient to develop the SEM model for the research variables<sup>98</sup>.

Despite the speed of technological and digital advances and the increase in stakeholder expectations, the recent studies shown that the actual use of Computer-Assisted Auditing Techniques (CAATs) by internal auditors remains unsatisfactory, and there is a paucity of evidence on the factors that may drive internal auditor's intention to accept and utilize CAATs in developing countries. A better understanding of these factors can aid policy makers to proactively design interventions (e.g., marketing, training etc.) to increase the utilization of CAATs. Borrowing from Information Systems (IS) research, we employ the Unified Theory of Acceptance and Use of Technology (UTAUT) to examine the determinants of intention to adopt

CAATs by internal auditors. Using 105 valid responses from internal auditors in Jordan, the study found that CAATs adoption is influenced by performance expectancy and effort expectancy<sup>99</sup>.

A study investigated four factors affecting internal audit effectiveness in Vietnam, namely, independence of internal audit, the competence of internal auditors, management support for internal audit, and quality of internal audit work. Quantitative and qualitative evaluations were conducted, including a logistics regression model and other analyses, using SPSS software. Through semi-structured in-depth interviews and an online survey, 144 responses were obtained from internal Vietnamese auditors of nonfinancial companies listed on the Vietnamese stock market in 2021. After processing the data, the results revealed two factors (independence of internal auditor and management support for internal audit) with a positive influence on internal audit effectiveness, whereas the competence of internal auditors and quality of internal audit work did not affect internal audit effectiveness<sup>100</sup>.

The internal audit function is important to minimize the occurrence of fraudulent financial statements and provide assurance and independent consultation for decision-making. The purpose of this study is to analyze the relationship of the quality of internal audit team (internal audit function) on audit fees, audit quality, audit choice, and audit opinion. The study uses 722 observations on companies listed on the Indonesia Stock Exchange for two periods from 2016 to 2017 and uses Ordinary Least Square Regression analysis techniques to examine the hypotheses. The study found that one of the internal auditors' functions, which is size of the internal audit team, as a corporate oversight mechanism has a positive and significant relationship to the magnitude of external auditor fees, audit quality, and the tendency of companies to choose auditors with big names (Big4). In addition, the study found that internal audit also has a

negative and significant influence on the tendency of companies to accept going concern audit opinions<sup>101</sup>.

Another study aim was to evaluate empirically, the relationship between performance audit and accountability of the public sector entities in Nigeria. The population of the study is the Nigeria public sector. Information for the examination were gathered from the auxiliary wellspring of a multi-year financing and yield information of the Nigeria control area. The information were investigated utilizing different relapse with the utilization of E-View bundle. The outcome and discoveries of the investigation demonstrated that there is a huge connection between execution review and responsibility of the open segment in Nigeria. Reality remains that the execution of the open parts in Nigeria has been appraised as terribly low<sup>102</sup>.

#### **2.3.4 Monitoring & Control Activities and Performance in Public Sector**

A study focused on the effect of the internal control system on public parastatals in Ekiti State, Nigeria. The study used a purposive sampling method, and a total of 100 questionnaires was administered to staffs in the seven selected public parastatals in the state. The questionnaire is a 5-point Likert-scale and the data collected was analyzed using Statistical Package for the Social Sciences (SPSS) version 21. The ANOVA in the regression analysis showed that all the components of the internal control system had combined significant effect on accountability in the public parastatals ( $F = 44.046, p < 0.05$ ). Also, the results of the study revealed that each of the components of internal control system on accountability which was measured by effective and efficient financial operations, showed that Information flow and control activities with p-values of 0.078 and 0.461 respectively have an insignificant effect ( $\text{Sig} > 0.05$ ) on accountability of public parastatals, while monitoring and evaluation and risk assessment with p-values 0.001 and 0.008 respectively have a significant effect ( $\text{Sig} < 0.05$ ) on the accountability of public

parastatals in Ekiti state. It was recommended that internal control system should be encouraged to maintain their independent position to ensure more assurances of the effectiveness of the control system and also government should ensure that the internal control system is periodically monitored and evaluated<sup>103</sup>.

A 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 were obtained primarily from a random sample of 354 Heads of Units in the Account and Audit Departments, in 65 Ministries of the Southwestern Nigeria. These participants were directly involved in the management, financial planning and controls. The 222 fully completed and returned questionnaires were coded and analysed using descriptive analysis and regression technique. The results of the study revealed that 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 with the mean scores of 4.22, 3.91, 3.86, 3.81 and 3.47 respectively. The regression results also showed that control environment, control activities, risk assessment, information and communication and monitoring and evaluation significantly impact on financial accountability in public sector. The ANOVA with the  $F = 16.995$ ,  $p < 0.05$  showed that all the components of internal control system had significant effect on financial accountability in public sector<sup>104</sup>.

Another study assessed the existence and implementation of the internal control system mechanisms of three purposively selected state governments in southwestern Nigeria. The study adopted a descriptive survey research design. Primary data were obtained through a structured questionnaire administered to 450 staff members of both the Accountant General and Auditor

General of the three southwestern states which include Lagos, Oyo and Ondo states. The Committee of Sponsoring Organizations Treadway Commission (COSO) framework is used to assess the existence and extent of implementation of internal control system mechanisms in the states. Descriptive statistics were used to analyze the data obtained. The results showed that control environment (36.6%), risk assessment (42.7%), control activities (37.9%) and information and communication (39%) were moderately in existence but not fully implemented because the percentage fell below average while monitoring (38.7%) was highly implemented among the selected state governments in southwestern Nigeria. The study also found that state governments have internal control systems in place but they are not completely operational. Hence, mitigants against financial fraud, errors and misapplication of public funds are weak<sup>105</sup>.

A study examined the impact of forensic audit on fraud detection and prevention in the Nigerian banking sector. The study took a census of the 16 Deposit Money Banks (DMBs) listed on the Nigerian Stock Exchange (NSE) as at 31st December, 2016. The study used the secondary source to collect data from the Nigerian Deposit Insurance Corporations' (NDICs) annual reports of 2013 and 2016 respectively. The study covered a period of five (5) years spanning 2012-2016. Data generated were analyzed using charts, graphs, tables and regression. Our findings revealed that forensic audit has a significant negative impact on number of fraud cases, number of staff involved in bank fraud, and actual amount of bank losses through fraud in the Nigerian banking sector. However, forensic auditing has insignificant impact on expected losses generated through fraud activities in the Nigerian banks<sup>106</sup>.

A study aimed to determine whether there is an influence of internal audit and internal control on fraud prevention at PT Pos Indonesia (Persero) Bandung. The study used the verification method, the sampling technique used in this study was a combination of non-probability with a saturated

sampling technique. The sample in this study were employees at PT Pos Indonesia (Persero) Bandung City, amounting to 91 people. The Program used in analyzing data was Statistical Package for Social Sciences (SPSS) Ver25.00. The results showed that internal audit and internal control influence the prevention of fraud in PT Pos Indonesia (Persero) Bandung. In addition, the magnitude of the influence of internal audit and control in contributing to the prevention of fraud by 68.8%<sup>107</sup>.

Another study examines different characteristics of e-accounting in SME, including the mediator effects of the internal monitoring; integrate on how e-account relates to performance. E-Accountancy has been divided into four characteristics: information quality, cost reduction, fast decision making, and ease to use the software. This study provides a conceptual framework for examining the mediating effects of internal oversight set-up on how e- method of accounting relates to performance in SME. The study was performed by conducting a literature review of existing studies of the topic and related issues. Information was obtained from a combination of journal articles. Additionally, the literature went through critics and reviews for accuracy, relevancy, and other validating elements. It is vivid that the discerned e- accounting affects the internal monitoring system. The findings showcase that the domestic monitoring structure consequentially translates to improve the performance. E- accountancy has a cluster of roles in SME that represent the collection, keeping of the data in regards to the exercises and the applications, data processing, information creation easier that enable the management team to enact foster decision making and cost reduction. However, to attain the quality of data required, internal monitoring plans that enhance the reliable recording of all the SME operations need to be implemented. In order to get lower auditor's estimation on the control risk, more testing on the competency of the E- accountancy and domestic structures should be done. It is commonly

accepted that were using e- accounting, the SME needs to have internal control systems to examine the quality of the system's actions in terms of time<sup>108</sup>.

A study examines the relationship between internal audit and risk management in ten selected MDAs in Rivers State. Data were generated with the aid of necessary information collected from the study through the cross-sectional survey via copies of questionnaire administered. A total population size of 150 and sample size of 109 was determined using Taro Yamane's formula at 0.05 level of significance. Also, 109 copies of questionnaire were distributed to the respondents, while 90 copies were completed and retrieved. The instruments were validated with reliability above 0.7 co-efficient, using Cronbach Alpha technique. Six research questions and six hypotheses were raised which was tested with spearman's rank order co-efficient of correlation using SPSS 23 version. From the findings, the concept of internal audit creates positive impact on risk control and risk financings. In conclusion, internal audit has a significant impact in risk management in the Nigerian public sector MDAs<sup>109</sup>.

A study determined the impact of internal control on fraud prevention in money deposit banks in Nigeria. The data collected were analyzed through the adoption of simple percentage and regression (Statistical Package for Social Sciences) at 5% level of significance. The result revealed that out of the three (3) independent variables tested in the course of this research work, the constant coefficient gives a positive value of 0.046 implying that if all independent variables are held constant, the rate at which the internal control and efficiency performance will increase by 0.046 units. Risk assessment proxy was found to have most significant on fraud prevention among money deposit banks in Nigeria as it has the highest beta value followed by information and communication, while monitoring has the least beta value respectively. The study concludes that if deposit money banks in Nigeria can also review the human resource management

functions periodically, it will reduce drastically the loop holes for fraudulent activities performed among staffs of money deposit banks in Nigeria<sup>110</sup>.

A study analyzed the internal audit function and financial performance of telecommunication firms in Nigeria. The methodology adopted was survey method to collect primary data using a structured questionnaire. A total of 213 copies of questionnaire were distributed with 152 answered correctly and fully retrieved. Data was analyzed using percentage, tables and spearman rank order correlation techniques and with statistical package for social science (SPSS) was used to test the hypotheses. The findings revealed that, internal audit function has positive relationship between financial performance of telecommunication firms in Nigeria. It was therefore concluded that, telecommunication firms should expand their network coverage and improve the quality of service they offer because this is a major factor that affect their financial performance<sup>111</sup>.

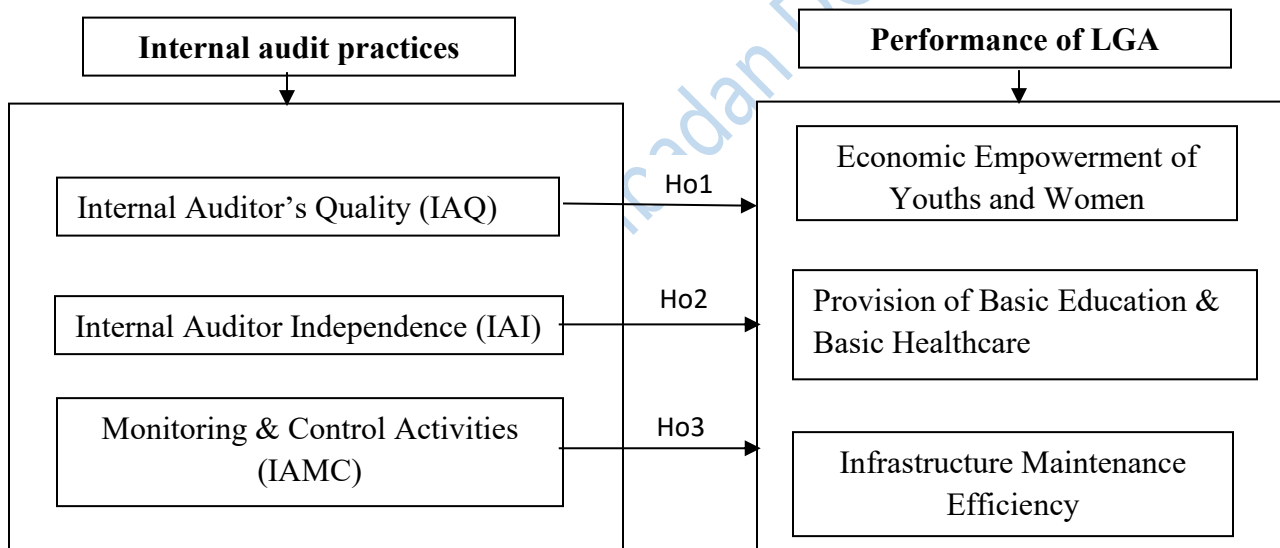
The overall objective of a research was to analyze internal control procedures and the performance of the company in Nigeria's south-west region. The study framework was developed on the basis of an in-depth review of the literature and in accordance with stakeholder theory. The analysis followed a qualitative approach to descriptive research design. Multiple regression models were used to check whether there is any impact on financial performance from internal audit control, control practices, risk management control, control environment and monitoring activities. The survey results indicated the positive relationship between internal audit control, risk management and monitoring practices and organizational success. Control practices and control environment, however, have a significant negative impact on firm performance. Management should also carefully assess the level of risk to be expected and seek to manage the risk at certain points<sup>112</sup>.

A study assessed the effect of internal control system on risk management of firms in Nigeria. The population is thirty-seven (37) listed financial services firms and sample size are twenty-nine (29) deposit money banks and listed insurance firms in Nigeria and twenty (20) were administered to each of the sample size firms. The cluster sampling techniques was adopted for the study. Primary data was sources through the administered questionnaire to the respondents through the use of five point Liker scale system, and the SMART-PLS-3-SEM was used to analyse the data fitness and test of research hypothesis. Constructive reliability and validity and the discriminant validity measure were used to test the fitness of the model. Path coefficient, predictive relevance of exogenous. Findings from the study revealed that control environment and monitoring are positive and significant effect on risk management, while the information and communication has a negative and significant effect on risk management. Risk assessment show an insignificant positive effect on risk management while the control activities is negative and insignificant effect on risk management of the listed financial services firms in Nigeria. In conclusion, the study found that internal control system has a significant influence on risk management<sup>113</sup>.

A study investigates the role of internal audit and control on organizational objective achievement of selected deposit money banks in Ojo and Amuwo Odofin, Lagos. Organizational objective was measured by revenue and profitability and shareholders' value. A survey design; primary source of data was used through administration of questionnaires. The study used a sample size of one hundred and sixty (160) staff members in ten (10) banks. The data collected through the distribution of questionnaires was analyzed using the simple regression analysis with the aid of statistical package for social sciences (SPSS). It was discovered that the combined role of internal audit and control has a significant positive influence on revenue and profit generation

of the banks. Also, internal audit and control has a positive effect on shareholders' value of the banks. Conclusively, internal audit and control has a positive effect on organizational objective<sup>114</sup>.

## 2.4 Conceptual Model



**Fig 2.1 Conceptual Model of Internal audit practices and Performance of LGA**

**Source: Researcher's Conceptual Model, 2024**

## 2.5 Summary of Gap in the Literature Reviewed

The literature reviewed on the topic of internal audit practices and their impact on the performance of local governments in Nigeria provides valuable insights into various theoretical framework, including institutional theory and agency theory. These framework offer a

comprehensive understanding of how internal audit practices influence organizational behavior, governance effectiveness, and service delivery outcomes in the public sector. However, despite the breadth of research in this area, several gaps and limitations in the existing literature can be identified.

One notable gap in the literature is the limited focus on empirical studies examining the specific mechanisms through which internal audit practices contribute to improved performance in local governments. While theoretical framework provides theoretical foundations for understanding the role of internal audit practices, empirical evidence is crucial for validating these theories and assessing their practical implications in real-world contexts. More empirical research is needed to investigate the effectiveness of internal audit practices, the impact of audit recommendations on organizational performance, and the factors influencing the implementation of audit findings within local government settings.

The literature often lacks comparative studies that examine the differences in internal audit practices and performance outcomes across various local government jurisdictions in Nigeria. Local governments vary in terms of size, resources, capacity, and institutional arrangements, which may influence the design and effectiveness of internal audit practices. Comparative studies can provide valuable insights into the factors that contribute to successful audit practices and performance improvements, allowing policymakers and practitioners to identify best practices and strategies for enhancing governance effectiveness across different.

Another gap in the literature relates to the limited attention given to the role of external stakeholders, such as citizens, civil society organizations, and oversight bodies, in shaping internal audit practices and outcomes in local governments. These stakeholders play a crucial role in promoting transparency, accountability, and good governance by monitoring the activities

of local government officials and holding them accountable for their actions. Future research should explore the influence of external stakeholders on internal audit processes, the mechanisms through which they engage with audit findings, and the impact of their involvement on governance effectiveness and service delivery outcomes.

The literature often overlooks the role of technology in enhancing internal audit practices and performance in local governments. With the increasing digitization of government processes and the growing availability of data analytics tools, technology has the potential to revolutionize internal audit functions by improving data collection, analysis, and reporting capabilities. Research is needed to examine the adoption of technology-enabled audit tools, the challenges and opportunities associated with their implementation, and the impact of technology on audit efficiency, effectiveness, and performance outcomes.

In summary, while the literature on internal audit practices and performance in local governments in Nigeria provides valuable insights into the theoretical foundations and conceptual framework underlying audit practices, several gaps and limitations remain. Future research should focus on conducting empirical studies, comparative analyses, and investigations into the role of external stakeholders and technology in shaping internal audit processes and outcomes. Addressing these gaps will contribute to a more comprehensive understanding of how internal audit practices can enhance governance effectiveness and service delivery outcomes in the public sector.

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## **Chapter Three**

### **Methodology**

This chapter contained the procedure that would be employed in achieving the set objectives of this research. The chapter covered the research design, population of the study, sample size determination, sampling techniques, sampling frame, the data collection methods, research instruments, construct measurement, data processing and analysis of data.

#### **3.1 Research Design**

The study will employ a descriptive research methodology to gather insights into the Internal audit practices and the performance of local governments in Oyo State, Nigeria. This approach is selected because the primary data collection tool to be utilized will be a structured questionnaire. This is essential as the research aims to assess various aspects, including the effectiveness of the Internal audit practices within local governments, their performance levels, and factors influencing performance. Additionally, the methodology will allow for the exploration of respondents' perceptions regarding the role of the Internal audit practices in enhancing governance and accountability, as well as its impact on overall organizational performance. Furthermore, the methodology will facilitate the examination of respondents' views on measuring variables such as demographic characteristics and will provide a Likert scale format that will be instrumental in addressing all research objectives comprehensively. To ensure a comprehensive understanding, a mixed-method approach consisting of both surveys and

interviews will be adopted for data collection. This approach is deemed necessary to gather diverse and robust information to inform the research effectively.

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

The population of this study consist of staff from the finance departments of thirty-three (33) Local Government Areas (LGAs) in Oyo State and community members. For the staff from the finance departments, the total population will be 726, with 22 individuals selected from each of the 33 Local Government areas in Oyo State (see Table 3.1). The State's thirty-three (33) Local Governments will comprise Afijio, Atiba, Oyo East, Oyo West, Ibarapa East, Ibarapa Central, Ibarapa North, Ogbomosho South, Ogbomosho North, Surulere, Ogo Oluwa, Orire, Isenyin, Kajola, Itesiwaju, Iwajowa, Saki East, Saki West, Olorunsogo, Orelope, Egbeda, Ibadan North East, Akinyele, Ibadan North, Ibadan North West, Ibadan South West, Ibadan South East, Ido, Lagelu, Oluyole, Irepo, Oyo West, and Ona-Ara Local Government Area as of 2024. The staff of the finance department will be chosen since they deal with the financial aspects of the various Local Governments, and it is central to the internal audit practices where there is a higher concentration of staff whose roles are directly related to financial oversight and control activities. Positions such as Head of Local Government Administration, Director of Finance and Supplies, Internal Auditor, Payroll Officer, and Cash Officer will be integral to maintaining the financial health of the LGAs. These roles will require stringent internal audit processes to prevent financial mismanagement, fraud, and inefficiencies. Therefore, analyzing internal audit quality within this department will provide a focused and relevant assessment of the audit system's impact on local government performance. The organogram of a typical Local Government will be presented in Table 3.1. The total number of respondents listed will be 22, covering positions

such as Head of Local Government Administration, Director of Finance and Supplies, Internal Auditor, Payroll Officer, Cash Officer, among others.

**Table 3.1 Target Local Government Staff in Finance Department**

<b>Staff in Finance Department</b>	<b>No. of Respondent</b>
Head of Local Govt. Administration	1
Director of Finance and Supplies	1
Deputy Director of Finance and Finance	1
Internal Auditor	1
Payroll Officer	1
Cash Officer	1
Rate Officer	1
Director of Budget Planning, Research and Statistics	1
Officer in charge of Final Account	1
Officer in charge of Bank Reconciliation	1
officer in charge of Departmental Vote Revenue Account	1
Officer in Charge of Departmental Vote Expenditure Account (DVEA)	2
Officer in charge of Departmental Vote Expenditure Account, Personal Emolument	2
Officer in Charge of Deposit Account	2
Officer in Charge of Advance Account	2

Officer in charge of Pension & Gratuity	2
Counter Officer in Charge of Local Government	1
<b>Total</b>	<b>22</b>

**Source: Author's Computation, 2024**

### 3.3 Sample and Sampling Techniques

For this study, the sample size will comprise 259 respondents. A simple random sampling technique will be used to select available and accessible finance staff from the 33 Local Government areas in Oyo State, as illustrated in Table 3.1. The distribution of the sample size will be detailed in Table 3.2. A purposive sampling method will be utilized to select 259 staff members from the finance departments of all thirty-three local government areas in Oyo State. This approach will specifically target the finance department staff within the Local Government. Selection criteria will be based on the participants' willingness to offer meaningful information based on their opinions.

In this study, the sample will be determined using the Taro Yamane formula;

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

Where n=sample size; N=target population;  $\alpha$ =level of significance at 0.05.

Thus, N = 726, e = 0.05

$$n = \frac{726}{1+726(0.05)^2} = 258.9$$

Hence, the 259 staff of financial department will be used as sample for the study

A total of 60 community members were selected, with 20 representatives from each of the three senatorial districts in Oyo State, drawn from community or Landlord Associations.

**Table 3.2: Sample Size Distribution**

<b>Staff in Finance Department</b>	<b>No. of Respondent</b>	<b>Sample</b>
Head of Local Govt. Administration	33	12
Director of Finance and Supplies	33	12
Deputy Director of Finance and Finance	33	12
Internal Auditor	33	12
Payroll Officer	33	12
Cash Officer	33	12
Rate Officer	33	12
Director of Budget Planning, Research and Statistics	33	12
Officer in charge of Final Account	33	12
Officer in charge of Bank Reconciliation	33	12
officer in charge of Departmental Vote	33	12

## Revenue Account

Officer in Charge of Departmental Vote

Expenditure Account (DVEA) 66 23

Officer in charge of Departmental Vote 23

Expenditure Account, Personal Emolument 66

Officer in Charge of Deposit Account 66 23

Officer in Charge of Advance Account 66 23

Officer in charge of Pension & Gratuity 66 23

Counter Officer in Charge of Local 33 12

Government

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**Total** 726 **259**

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**Source: Author's Computation, 2024**

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### 3.4 Description of Research Instrument

The two instruments were adopted: one questionnaire for the LGAs Finance Department (internal) and another for community members (external) to collect data on the Internal audit practices and the performance of local governments in Oyo State, Nigeria. This involved the use of questionnaires. The collection of qualitative data from the selected staff of the Local Government was carried out through a structured questionnaire, as relevant information could be easily provided by the respondents in this manner. The questionnaires were developed based on the empirical literature reviewed on internal audit practices, addressing the research questions

and objectives, as well as the formulated hypotheses. The structured questionnaires were used to gather relevant information regarding the demographic characteristics of the respondents, their level of knowledge about internal audit practices, their willingness to adopt internal audit practices, their views on the role of internal audit in managing finances, and their opinions on the effectiveness of internal audit in detecting and preventing financial irregularities.

### **Model Specification**

#### **Dependent Variables (Performance Indicators):**

- Y<sub>1</sub>: Quality of Basic Education
- Y<sub>2</sub>: Basic Healthcare Provision
- Y<sub>3</sub>: Safe Drinking Water Provisioning
- Y<sub>4</sub>: Infrastructure Maintenance (Streets, Roads, Sanitation)
- Y<sub>5</sub>: Economic Empowerment of Youths and Women

#### **Independent Variables (Internal audit practices):**

- X<sub>1</sub>: Internal Auditor Quality (IAQ)
- X<sub>2</sub>: Monitoring & Control Activities (IAMC)

#### **Model Equations (one for each dependent variable):**

Let  $PP$  represent the performance of local governments, which can be influenced by various factors related to the internal audit practices. We can express this relationship mathematically as:

$$P=(Q,I,M)P=f(Q,I,M)$$

Where:

- $PP$  = Performance of local governments
- $QQ$  = Quality of Internal Auditors

- $II$  = Independence of Internal Auditors
- $MM$  = Monitoring and Control Activities

### Econometric Model

To empirically test the influence of these factors on performance, we can specify a multiple regression model:

$$P_i = \beta_0 + \beta_1 Q_i + \beta_2 I_i + \beta_3 M_i + \epsilon_i$$

Where:

- $P_i$  = Performance of local government  $i$
- $Q_i$  = Quality of Internal Auditors for local government  $i$
- $I_i$  = Independence of Internal Auditors for local government  $i$
- $M_i$  = Monitoring and Control Activities for local government  $i$
- $\beta_0$  = Intercept term
- $\beta_1, \beta_2, \beta_3$  = Coefficients representing the influence of each independent variable on performance
- $\epsilon_i$  = Error term capturing unobserved factors affecting performance

### Hypothesis Testing

For each of the specific objectives, we can formulate hypotheses:

#### 1. Influence of Internal Auditor Quality:

- The model can be expressed as:

$$P = \beta_0 + \beta_1 Q + \epsilon$$

Where:

- $P$  = Performance of local governments
- $Q$  = Quality of Internal Auditors

- $\beta_0$  = Intercept
- $\beta_1$  = Coefficient for Internal Auditor Quality
- $\epsilon$  = Error term

## 2. Influence of Internal Auditor Independence:

- The model can be expressed as:

$$P = \beta_0 + \beta_2 I + \epsilon$$

Where:

- $P$  = Performance of local governments
- $I$  = Independence of Internal Auditors
- $\beta_0$  = Intercept
- $\beta_2$  = Coefficient for Internal Auditor Independence
- $\epsilon$  = Error term

## 3. Influence of Monitoring & Control Activities:

- The model can be expressed as:

$$P = \beta_0 + \beta_3 M + \epsilon$$

Where:

- $P$  = Performance of local governments
- $M$  = Monitoring and Control Activities
- $\beta_0$  = Intercept
- $\beta_3$  = Coefficient for Monitoring and Control Activities
- $\epsilon$  = Error term

### 3.5 Validity of Research Instrument

This study will adopt content and face validity for the research instrument. A questionnaire will be used to ensure the content validity of the research instrument, in line with previous studies. To ascertain content validity, the questionnaire will first be given to the supervisor and other experts with knowledge about forensic audits, particularly in the public sector, to provide feedback and suggest relevant items needed in the structured questionnaire. This step is necessary to ensure that all relevant questions addressing each of the research objectives are captured in measuring the construct. All corrections and additions will be made to address all the research objectives before the questionnaire is administered to the target respondents. A pilot survey will be carried out, showing that there will be 22 staff selected in each of the Local Government areas in Oyo State.

### **3.6 Reliability of Research Instrument**

In measuring the reliability of the research instrument for this study, the questionnaire will first be subjected to a pilot test. To ensure that the questionnaire is efficient and effective, 5% of the sample size will be pilot tested. Reliability will be assessed on the questionnaires fully completed by thirty-six (36) randomly chosen respondents who will not be part of the main sample size for this study. The most widely used measure of reliability in both social and management sciences is Cronbach  $\alpha$  (alpha), which refers to the internal consistency coefficient. Therefore, for this study, Cronbach Alpha will be used to assess the internal consistency of all the items in the questionnaire. Cronbach  $\alpha$  will be calculated using the following formula:

$$\alpha = \frac{N}{N-1} \left( 1 - \frac{\sum_i^N 1\sigma_{Y_i}^2}{\sigma_X^2} \right)$$

where  $N$  is the number of components (items),  $x^2$  is the variance of the observed total test scores, and  $y_i^2$  is the variance of component  $i$ . The acceptability criteria of Cronbach's alpha ( $\alpha$ ) for the study was considered excellent if it is greater than or equal to 0.9, good if it is between 0.7 to less than 0.9, acceptable if between 0.6 to less than 0.7, poor if between 0.5 to less than 0.6 and will not be acceptable if less than 0.5. Table 3.3 shows the reliability results. All the statements were reliable since the Cronbach alpha was above 0.7 which was used as a cut-off of reliability for the study. The results of the test reveal the alpha coefficient is all above 0.7 and therefore all the statements were reliable since the reliability threshold is 0.7. This indicates that the data was reliable since an alpha coefficient for the overall results was 0.878 higher than 0.70 signifies that the collected data has a comparatively high internal reliability and can be assumed to mirror the respondent's views on the study problem. The Cronbach's Alpha results was analysed using the Statistical Package for Social Sciences SPSS.

### **3.7 Data Collection**

A letter of introduction will be collected from the Department of Management and Accounting, Faculty of Management and Social Sciences, Lead City University, Oyo State, Nigeria, to obtain permission to conduct the research. Two research assistants will be hired to aid in administering the instrument. The researcher will introduce the research assistants to the essential information relevant to the investigation. The instrument will be disseminated within a span of two (2) weeks for administration, and the data collected from the field will be accurately scored, coded, and subsequently subjected to data analysis.

### **3.8 Data Analysis**

The collected data will be subjected to statistical analysis. Biographical data will be analyzed using simple percentages. Descriptive statistics, including simple percentages and a decision mean of 2.5, as well as correlation analysis, will be employed to interpret research questions. Furthermore, inferential analysis will be conducted to examine the relationship between internal control systems and the performance of local government areas in Oyo state. Correlation and regression analyses will be utilized to test the hypotheses at a significance level of 0.05. The Statistical Package for Social Science (SPSS) version 25 will be utilized to ensure accurate data analysis for this study.

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## Chapter Four

### Results and Discussion of Findings

The Results and Discussion of Findings of the investigation are presented in this chapter. The findings were based on the research questions and hypotheses that were raised in accordance with the study objective.

#### 4.1 Analysis of Demographic Data

**Table 4.1: demographic profile of students**

Demographic Profile	Category	Frequency	Percent (%)
<b>Financial department staff</b>			
Gender	Male	177	68.3%
	Female	82	31.7%
Age	15-20	18	6.9%
	21-30	85	32.8%
	31-40	75	29.0%
	41-50	39	15.1%
	51-60	42	16.2%
Academic Qualification	ND	10	3.9%
	NCE	31	12.0%
	BSc/HND	132	51.0%
	MSC	82	31.7%
	PhD	4	1.5%
Professional Qualification	ACCA	43	16.6%
	ACA	59	22.8%
	CCA	59	22.8%
	ACIB	72	27.8%
	CFA	26	10.0%
Cadre	Clerical Officer	86	33.2%
	Executive Officer	77	29.7%
	Accountant	96	37.1%
	Others	0	0.0%
Department	Administration	128	49.4%
	Finance	48	18.5%
	Audit	83	32.0%
Year of Service	1-4 years	30	11.6
	5-10 years	119	45.9

	11-15 years	90	34.7
	16 and above	20	7.7
<b>Community Members</b>			
Gender	MALE	38	63.3%
	FEMALE	22	36.7%
Age	18-25	1	1.7%
	26-35	20	33.3%
	36-45	28	46.7%
	46-55	11	18.3%
	56 and above	0	0.0%
Educational Qualification	No Formal Education	0	0.0%
	Primary Education	0	0.0%
	Secondary Education	0	0.0%
	Tertiary Education	59	98.3%
	Postgraduate Education	1	1.7%
Occupation	Employed	24	40.0%
	Self-Employed	19	31.7%
	Student	0	0.0%
	Unemployed	0	0.0%
	Retired	17	28.3%

**Source: Researcher's Field Survey, 2024**

The study participants included the 259 staffs from the finance departments of thirty-three (33) Local Government Areas (LGAs) in Oyo State. 330 questionnaires were administered within the staffs. The research analyzed personal data of the respondents includes Gender: male staffs were 177 representing 68.3% and female participants were 82 representing (31.7%). Regarding age distribution, the largest proportion of respondents falls within the 21-30 age group, representing 32.8% (85) of the sample. This is followed by 31-40 age group, representing 29.0% (75) of the sample, by 51-60 age group, representing 16.2% (62) of the sample, by 41-50 age group,

representing 15.1% (39) of the sample. Meanwhile, 15-20 age group, representing least age group with 6.9% (18) of the sample. In terms of academic qualifications, the majority of respondents hold a BSc/HND degree, accounting for 51.0% (132) of the sample. This is followed by MSc holders representing 31.7% (82) of respondents, by individuals with NCE certificate representing at 12.0% (31) of respondents, by ND holder representing 3.9% (10) of respondents, and by individuals with PhD certificate representing at 1.5% (4) of respondents. Examining professional qualifications, the data show that the majority of respondents fall under the ACIB category representing 27.8% (72) of the sample. This is followed by 'ACA' and 'CCA' category, comprising 22.8% and 22.8 of the sample respectively. This is also followed by ACCA at 16.6% (43) of sample, and by CFA at 10.0% (26) of sample. In terms of job cadre, Accountant represent the largest proportion at 37.1% (96), followed by clerical officers representing 33.2% (86) of sample. Executive Officer account for approximately 29.7% (77) of the sample. When considering departmental distribution, the data show that the majority of respondents fall under the administration category representing 49.4% (128) of sample. This is followed by Audit departments constituting 32.0% (83) of respondents, while the finance department comprises 18.5% (83) of the respondents. Finally, analyzing years in service reveals that individuals with 5-10 years of experience form the largest group at 45.9% (119). This is followed by respondents with 11-15 years of experience, accounting for 34.7% (90) of the sample, followed by respondents with 1-4 years of experience, accounting for 11.6% (30) of the sample, and by respondents with 16 and above years of experience, accounting for 7.7% (20) of the sample. The detail is in table 1.

Also, 60 educated community members were purposively sampled from three senatorial districts in Oyo State. The community member sampled comprises of 63.3% (38) male

participants and 36.7% (22) female participants. Regarding age distribution, the largest proportion of respondents falls within the 36-45 age group, representing 46.7% (28) of the sample. This is followed by 26-35 age group, representing 33.3% (20) of the sample, by 46-55 age group, representing 18.3% (11) of the sample, and by 18-25 age group, representing 1.7% (1) of the sample. Regarding educational qualification, 98.3% (59) of sample had tertiary education qualification and 1.7% (1) of sample had postgraduate education. Finally, examining their occupational status, 40.0% (24) are employed, 31.7% (19) are self-employed while 13 of the sample are retiree.

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## 4.2 Analysis Research Questions

The following research questions are raised to guide the study:

**Research Question 1:** What is the influence of internal auditor quality on the performance of local governments in Oyo State, Nigeria?

**Table 4.2: Financial Department Staff Perspective**

Statement	Strongly Disagree	Disagree	Agree	Strongly Agree	Mean
1. The competence of internal auditors has enhanced the availability and safety of drinking water in our LGA.	28 (10.8%)	38 (14.7%)	69 (26.6%)	124 (47.9%)	3.12
2. High-quality internal auditing has positively impacted the provision of basic healthcare services in our LGA.	0 (0.0%)	51 (19.7%)	90 (34.7%)	118 (45.6%)	3.26
3. Internal auditors' analytical and critical thinking skills are essential for enhancing basic healthcare services.	20 (7.7%)	49 (18.9%)	79 (30.5%)	111 (42.9%)	3.08
4. Regulatory compliance and adaptability are vital for the LGA's effectiveness and empowering youth and women.	4 (1.5%)	71 (27.4%)	62 (23.9%)	122 (47.1%)	3.17
5. Skilled internal auditors support the LGA's effective functioning to empower youth and women economically.	18 (6.9%)	49 (18.9%)	96 (37.1%)	96 (37.1%)	3.04
<b>Weighted Mean</b>					<b>3.13</b>

## Community Perspectives

Statement	Strongly Disagree	Disagree	Agree	Strongly Agree	Mean
1. Reviewing financial records and processes helps our LGA improve the quality of basic healthcare services.	14 (23.3%)	7 (11.7%)	19 (31.7%)	20 (33.3%)	2.75
2. Evaluating educational programs and policies helps our LGA improve the quality of education.	15 (25.0%)	12 (20.0%)	18 (30.0%)	15 (25.0%)	2.55
3. Assessing social service delivery helps our LGA provide better social services to the community.	14 (23.3%)	9 (15.0%)	14 (23.3%)	23 (38.3%)	2.77
4. Internal audit activities, such as reviewing youth empowerment programs, support the effectiveness of our LGA's youth initiatives.	12 (20.0%)	15 (25.0%)	17 (28.3%)	16 (26.7%)	2.62
5. Internal audit activities, such as reviewing women's empowerment programs, improve support for women in our community.	15 (25.0%)	8 (13.3%)	22 (36.7%)	15 (25.0%)	2.62
<b>Weighted Mean</b>					2.66

**Source: Researcher's Field Survey, 2024**

Table 4.2 provides insights into respondents' (financial department staff) perceptions regarding the influence of internal auditor quality on the performance of local governments in Oyo State, Nigeria. The data reveals a generally positive outlook on the influence of internal auditor quality on the performance of local governments in Oyo State, Nigeria. Specifically, 47.9% of respondents strongly agreed and 26.6% of respondents agreed that competence of internal

auditors has enhanced the availability and safety of drinking water in our local government with ( $\bar{x} = 3.12$ ), 45.6% of respondents strongly agreed and 34.7% of respondents agreed that high-quality internal auditing has positively impacted the provision of basic healthcare services in our local government with ( $\bar{x} = 3.26$ ), 42.9% of respondents strongly agreed and 30.5% of respondents agreed that Internal auditors' analytical and critical thinking skills are essential for enhancing basic healthcare services in our LGA with ( $\bar{x} = 3.08$ ), 47.1% of respondents strongly agreed and 23.9% of respondents agreed that Regulatory compliance and adaptability are vital for the LGA's effectiveness and empowering youth and women economically with ( $\bar{x} = 3.17$ ). Similarly, 37.1% of respondents strongly agreed and 37.1% of respondents agreed that Skilled internal auditors support the LGA's effective functioning to empower youth and women economically with ( $\bar{x} = 3.04$ ).

Table 4.2 also presented community Perspectives on the influence of internal auditor quality on the performance of local governments in Oyo State, Nigeria. The data in the table reveals 33.3% of respondents strongly agreed and 31.7% of respondents agreed that reviewing financial records and processes helps our LGA improve the quality of basic healthcare services with ( $\bar{x} = 2.75$ ), 25.0% of respondents strongly agreed and 30.0% of respondents agreed that evaluating educational programs and policies helps our LGA improve the quality of education with ( $\bar{x} = 2.55$ ), 38.3% of respondents strongly agreed and 23.3% of respondents agreed that assessing social service delivery helps our LGA provide better social services to the community with ( $\bar{x} = 2.77$ ), 26.7% of respondents strongly agreed and 28.3% of respondents agreed that Internal audit activities, such as reviewing youth empowerment programs, support the effectiveness of our LGA's youth initiatives with ( $\bar{x} = 2.62$ ). Similarly, 25.0% of respondents strongly agreed and

36.7% of respondents agreed that Internal audit activities, such as reviewing women's empowerment programs, improve support for women in our community with ( $\bar{x} = 3.04$ ).

The weighted mean score of financial department staff perception for all items combined is 3.13 ( $\bar{x} = 3.13$ ), and weighted mean score of community perspectives for all items combined is 2.66 ( $\bar{x} = 2.66$ ). The two weighted mean scores suggested that the internal auditor quality have influence of on the performance of local governments in Oyo State, Nigeria.

**Research Question 2:** How does internal auditor independence affect the performance of local governments in Oyo State, Nigeria?

**Table 4.3: Internal Auditor Independence Affect the Performance of Local Governments in Oyo State  
Financial Department Staff Perspective**

Item	Strongly Disagree (Freq %)	Disagree (Freq %)	Agree (Freq %)	Strongly Agree (Freq %)	Mean
1. Auditor objectivity enhances the LGA's ability to improve education.	17 (6.6%)	47 (18.1%)	99 (38.2%)	96 (37.1%)	3.06
2. Auditor objectivity improves the effectiveness of LGA welfare initiatives.	6 (2.3%)	68 (26.3%)	98 (37.8%)	87 (33.6%)	3.03
3. Independent audits hold the LGA accountable for youth empowerment.	13 (5.0%)	64 (24.7%)	70 (27.0%)	112 (43.2%)	3.08
4. Auditor impartiality aligns women's empowerment spending with community needs.	7 (2.7%)	41 (15.8%)	94 (36.3%)	117 (45.2%)	3.24
5. Auditor impartiality improves the LGA's overall performance.	7 (2.7%)	64 (24.7%)	74 (28.6%)	114 (44.0%)	3.14

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<b>Weighted Mean</b>	<b>3.11</b>
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**Community Perspectives**

Item	Strongly Disagree (Freq %)	Disagree (Freq %)	Agree (Freq %)	Strongly Agree (Freq %)	Mean
1. Independent internal auditors contribute significantly to the efficient financial management of our local government.	5 (8.3%)	9 (15.0%)	25 (41.7%)	21 (35.0%)	2.83
2. The autonomy of internal auditors strengthens transparency and accountability within our LGA's operations.	6 (10.0%)	17 (28.3%)	13 (21.7%)	24 (40.0%)	2.45
3. Independent internal auditing practices improve the quality of financial reporting within our LGA.	5 (8.3%)	11 (18.3%)	21 (35.0%)	23 (38.3%)	2.70
4. The objectivity of internal auditors enhances the detection and mitigation of financial risks in our LGA's activities.	5 (8.3%)	16 (26.7%)	20 (33.3%)	19 (31.7%)	2.80
5. An independent internal audit function fosters better decision-making processes, driving improved performance in our LGA.	3 (5.0%)	21 (35.0%)	15 (25.0%)	21 (35.0%)	2.80
<b>Weighted Mean</b>					<b>2.95</b>

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**Source: Researcher's Field Survey, 2024**

Table 4.3 provides insights into respondents' (financial department staff) perceptions regarding how internal auditor independence affect the performance of local governments in Oyo State, Nigeria. The data reveals a generally positive outlook on how internal auditor independence affect the performance of local governments in Oyo State, Nigeria. Specifically, 37.1% of respondents strongly agreed and 38.2% of respondents agreed that auditor objectivity enhances the LGA's ability to improve education with ( $\bar{x} = 3.06$ ), 33.6% of respondents strongly agreed and 37.8% of respondents agreed that auditor objectivity improves the effectiveness of LGA welfare initiatives with ( $\bar{x} = 3.03$ ), 43.2% of respondents strongly agreed and 27.0% of respondents agreed that Independent audits hold the LGA accountable for youth empowerment with ( $\bar{x} = 3.08$ ), 45.2% of respondents strongly agreed and 36.3% of respondents agreed that Auditor impartiality aligns women's empowerment spending with community needs with ( $\bar{x} = 3.24$ ). Similarly, 44.0% of respondents strongly agreed and 28.6% of respondents agreed that Auditor impartiality improves the LGA's overall performance with ( $\bar{x} = 3.14$ ).

Table 4.3 also presented community perspectives on how internal auditor independence affect the performance of local governments in Oyo State, Nigeria. The data in the table reveals 35.0% of respondents strongly agreed and 41.7% of respondents agreed that independent internal auditors contribute significantly to the efficient financial management of our local government with ( $\bar{x} = 2.83$ ), 40.0% of respondents strongly agreed and 21.7% of respondents agreed that autonomy of internal auditors strengthens transparency and accountability within our LGA's operations with ( $\bar{x} = 2.45$ ), 38.3% of respondents strongly agreed and 35.0% of respondents agreed that Independent internal auditing practices improve the quality of financial reporting within our LGA with ( $\bar{x} = 2.70$ ), 31.7% of respondents strongly agreed and 33.3% of respondents agreed that objectivity of internal auditors enhanced the detection and mitigation of financial

risks in our LGA's activities with ( $\bar{x} = 2.80$ ). Similarly, 35.0% of respondents strongly agreed and 25.0% of respondents agreed that An independent internal audit function fosters better decision-making processes, driving improved performance in our LGA with ( $\bar{x} = 2.80$ ).

The weighted mean score of financial department staff perception for all items combined is 3.11 ( $\bar{x} = 3.11$ ), and weighted mean score of community perspectives for all items combined is 2.95 ( $\bar{x} = 2.95$ ). The two weighted mean scores suggested that internal auditor independence affect the performance of local governments in Oyo State, Nigeria.

**Research Question 3:** What impact do monitoring and control activities have on the performance of local governments in Oyo State, Nigeria?

**Table 4.4: Impact of Monitoring and Control Activities on the Performance of Local Governments  
Financial Department Staff Perspective**

Item	Strongly Disagree (Freq %)	Disagree (Freq %)	Agree (Freq %)	Strongly Agree (Freq %)	Mean
1. Effective monitoring and control enhance the LGA's educational services.	17 (6.6%)	51 (19.7%)	78 (30.1%)	113 (43.6%)	3.11
2. Strong monitoring and control improve welfare service delivery.	0 (0.0%)	47 (18.1%)	98 (37.8%)	114 (44.0%)	3.26
3. Rigorous monitoring and control strengthen youth empowerment programs.	16 (6.2%)	42 (16.2%)	95 (36.7%)	106 (40.9%)	3.12
4. Effective monitoring and control optimize women's empowerment spending.	10 (3.9%)	64 (24.7%)	89 (34.4%)	96 (37.1%)	3.05
5. Strong monitoring and control enhance the LGA's overall performance.	15 (5.8%)	63 (24.3%)	85 (32.8%)	96 (37.1%)	3.01
<b>Weighted Mean</b>					<b>3.11</b>

## Community Perspectives

Item	Strongly Disagree (Freq %)	Disagree (Freq %)	Agree (Freq %)	Strongly Agree (Freq %)	Mean
1. Our LGA does a good job of tracking its spending on basic healthcare through monitoring and control activities.	11 (18.3%)	11 (18.3%)	15 (25.0%)	23 (38.3%)	2.83
2. The LGA effectively monitors and controls its education spending, ensuring efficient resource allocation.	22 (36.7%)	4 (6.7%)	19 (31.7%)	15 (25.0%)	2.45
3. Social service spending is well-tracked by the LGA through comprehensive monitoring and control.	13 (21.7%)	11 (18.3%)	17 (28.3%)	19 (31.7%)	2.70
4. The LGA employs effective monitoring and control practices to manage youth program expenditures.	12 (20.0%)	9 (15.0%)	18 (30.0%)	21 (35.0%)	2.80
5. Women's program funding is carefully managed by the LGA, with strong monitoring and control activities.	5 (8.3%)	22 (36.7%)	13 (21.7%)	20 (33.3%)	2.80
<b>Weighted Mean</b>					<b>2.72</b>

**Source: Researcher's Field Survey, 2024**

Table 4.4 provided insights into respondents' (financial department staff) perceptions regarding how internal auditor monitoring and control activities impact the performance of local governments in Oyo State, Nigeria. The data reveals a generally positive outlook on how internal auditor monitoring and control activities impact the performance of local governments in Oyo State, Nigeria. Specifically, 43.6% of respondents strongly agreed and 30.1% of respondents

agreed that effective monitoring and control enhance the LGA's educational services with ( $\bar{x} = 3.11$ ), 44.0% of respondents strongly agreed and 37.8% of respondents agreed that strong monitoring and control improve welfare service delivery with ( $\bar{x} = 3.26$ ), 40.9% of respondents strongly agreed and 36.7% of respondents agreed that rigorous monitoring and control strengthen youth empowerment programs with ( $\bar{x} = 3.12$ ), 37.1% of respondents strongly agreed and 34.4% of respondents agreed that effective monitoring and control optimize women's empowerment spending with ( $\bar{x} = 3.05$ ). Similarly, 37.1% of respondents strongly agreed and 32.8% of respondents agreed that strong monitoring and control enhance the LGA's overall performance with ( $\bar{x} = 3.01$ ).

Table 4.4 also presented community perspectives on how internal auditor independence affect the performance of local governments in Oyo State, Nigeria. The data in the table reveals 38.3% of respondents strongly agreed and 25.0% of respondents agreed that their LGA does a good job of tracking its spending on basic healthcare through monitoring and control activities with ( $\bar{x} = 2.83$ ), 25.0% of respondents strongly agreed and 31.7% of respondents agreed that LGA effectively monitors and controls its education spending, ensuring efficient resource allocation with ( $\bar{x} = 2.45$ ), 31.7% of respondents strongly agreed and 28.3% of respondents agreed that social service spending is well-tracked by the LGA through comprehensive monitoring and control with ( $\bar{x} = 2.70$ ), 35.0% of respondents strongly agreed and 30.0% of respondents agreed that LGA employs effective monitoring and control practices to manage youth program expenditures with ( $\bar{x} = 2.80$ ). Similarly, 33.3% of respondents strongly agreed and 21.7% of respondents agreed that women's program funding is carefully managed by the LGA, with strong monitoring and control activities with ( $\bar{x} = 2.80$ ).

The weighted mean score of financial department staff perception for all items combined is 3.11 ( $\bar{x} = 3.11$ ), and weighted mean score of community perspectives for all items combined is 2.72 ( $\bar{x} = 2.72$ ). The two weighted mean scores suggested that monitoring and control activities have impact on the performance of local governments in Oyo State, Nigeria

**Table 4.5: Internal Audit Performance of Local Governments in Oyo State**

Item	Strongly Disagree (Freq %)	Disagree (Freq %)	Agree (Freq %)	Strongly Agree (Freq %)	Mean
1. The performance of financial management in our local government has improved due to the competence of internal auditors.	17 (6.6%)	51 (19.7%)	78 (30.1%)	113 (43.6%)	3.11
2. The performance of governance practices has been enhanced by the independence of internal auditors, ensuring unbiased evaluations.	0 (0.0%)	47 (18.1%)	98 (37.8%)	114 (44.0%)	3.26
3. The performance efficiency of governance operations has significantly increased due to effective monitoring and control activities.	16 (6.2%)	42 (16.2%)	95 (36.7%)	106 (40.9%)	3.12
4. The performance of basic education services has improved with better resource allocation due to high-quality internal auditing.	10 (3.9%)	64 (24.7%)	89 (34.4%)	96 (37.1%)	3.05
5. The performance of educational programs and expenditures has been optimized through the impartial reviews provided by independent auditors.	15 (5.8%)	63 (24.3%)	85 (32.8%)	96 (37.1%)	3.01
6. The performance quality of basic education services has been enhanced by effective monitoring and control activities.	17 (6.6%)	59 (22.8%)	67 (25.9%)	116 (44.8%)	3.09
7. The performance of healthcare services has improved due to better management of resources by high-quality internal auditing.	0 (0.0%)	49 (18.9%)	95 (36.7%)	115 (44.4%)	3.25
8. The performance evaluation of healthcare services has been unbiased and improved by	5 (1.9%)	71	72	111	3.12

independent internal auditors.		(27.4%)	(27.8%)	(42.9%)	
9. The performance quality of basic healthcare services has been enhanced by effective monitoring and control activities.	8 (3.1%)	76 (29.3%)	54 (20.8%)	121 (46.7%)	3.11
10. The performance of water resource management has improved due to high-quality internal auditing.	2 (0.8%)	46 (17.8%)	96 (37.1%)	115 (44.4%)	3.25
11. The performance of water provision services has been improved through unbiased evaluations by independent internal auditors.	9 (3.5%)	58 (22.4%)	103 (39.8%)	89 (34.4%)	3.05
12. The performance quality of water provisioning services has been enhanced by effective monitoring and control activities.	0 (0.0%)	54 (20.8%)	103 (39.8%)	102 (39.4%)	3.19
13. The performance of infrastructure project management has improved due to high-quality internal auditing.	5 (1.9%)	44 (17.0%)	86 (33.2%)	124 (47.9%)	3.27
14. The performance of infrastructure projects has been optimized through unbiased evaluations by independent internal auditors.	21 (8.1%)	57 (22.0%)	81 (31.3%)	100 (38.6%)	3.00
15. The performance quality of infrastructure maintenance services has been enhanced by effective monitoring and control activities.	10 (3.9%)	64 (24.7%)	98 (37.8%)	87 (33.6%)	3.01
16. The performance of economic empowerment initiatives has improved due to better management by high-quality internal auditing.	3 (1.2%)	90 (34.7%)	50 (19.3%)	116 (44.8%)	3.08
17. The performance evaluation of empowerment initiatives has been unbiased and improved by independent internal auditors.	2 (0.8%)	39 (15.1%)	86 (33.2%)	132 (51.0%)	3.34
18. The performance quality of economic empowerment initiatives has been enhanced by effective monitoring and control activities.	2 (0.8%)	82 (31.7%)	53 (20.5%)	122 (47.1%)	3.14
<b>Weighted Mean</b>					<b>3.11</b>

Source: Researcher's Field Survey, 2024

Table 4.5 provides insights into respondents' perceptions regarding internal audit performance of local governments in Oyo State, Nigeria. The data reveals a generally positive outlook of internal auditor performance of local governments in Oyo State, Nigeria. Specifically, 43.6% of respondents strongly agreed and 30.1% of respondents agreed that performance of financial management in our local government has improved due to the competence of internal auditors with ( $\bar{x} = 3.11$ ), 37.1% of respondents strongly agreed and 34.4% of respondents agreed that performance of basic education services has improved with better resource allocation due to high-quality internal auditing with ( $\bar{x} = 3.05$ ). 46.7% of respondents strongly agreed and 37.8% of respondents agreed that strong monitoring and control improve welfare service delivery with ( $\bar{x} = 3.11$ ), 39.4% of respondents strongly agreed and 39.8% of respondents agreed that performance quality of water provisioning services has been enhanced by effective monitoring and control activities with ( $\bar{x} = 3.19$ ), 38.6% of respondents strongly agreed and 31.3% of respondents agreed that performance of infrastructure projects has been optimized through unbiased evaluations by independent internal auditors with ( $\bar{x} = 3.05$ ). Similarly, 51.0% of respondents strongly agreed and 33.2% of respondents agreed that performance evaluation of empowerment initiatives has been unbiased and improved by independent internal auditors with ( $\bar{x} = 3.34$ ). The weighted mean score for all items combined is 3.11 ( $\bar{x} = 3.11$ ), suggesting that internal audit performance of local governments in Oyo State, Nigeria is high.

### **4.3 Testing of Hypotheses**

Ho1: There is no significant influence of internal auditor quality on the performance of local governments in Oyo State, Nigeria.

**Table 4.6: influence of internal auditor quality on the performance of local governments in Oyo State, Nigeria**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.177 <sup>a</sup>	.031	.027	.37317

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.152	1	1.152	8.274	.004 <sup>b</sup>
	Residual	35.788	25	.139		
	Total	36.941	25			
			8			

a. Dependent Variable: performance of local governments

b. Predictors: (Constant), internal auditor quality

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.800	.117		23.870	.000
internal auditor quality	.106	.037	.177	2.876	.004

**Source: Researcher's Field Survey, 2024**

Table 4.6 presents the results of a regression analysis examining the influence of internal auditor quality on the performance of local governments in Oyo State, Nigeria. The model summary indicates that the predictors (internal auditor quality) collectively explain approximately 3.1% of the variance in the performance of local governments, as indicated by the R square value of 0.031. The standard error of the estimate is approximately .37317. The ANOVA table demonstrates that the regression model is statistically significant ( $F(1,25) = 8.274, p < 0.004$ ), suggesting that the predictors (internal auditor quality) significantly contribute to explaining the variance in the performance of local governments in Oyo State. Examining the coefficients,

internal auditor quality ( $\beta = 0.177$ ,  $p < 0.004$ ) have statistically significant positive effects on performance of local governments in Oyo State. This indicates that an increase in the internal auditor quality is associated with a higher the performance of local governments. Thus, null hypothesis which stated that there is no significant influence of internal auditor quality on the performance of local governments in Oyo State, Nigeria is not accepted.

**Ho2:** Internal auditor independence does not significantly influence the performance of local governments in Oyo State, Nigeria.

**Table 4.7: influence of internal auditor independence on the performance of local governments in Oyo State, Nigeria**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.488 <sup>a</sup>	.238	.235	.33086

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.807	1	8.807	80.454	.000 <sup>b</sup>
	Residual	28.133	257	.109		
	Total	36.941	258			

a. Dependent Variable: performance of local governments

b. Predictors: (Constant), Internal auditor independence

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	2.212	.104			21.184	.000
Internal auditor independence	.295	.033	.488		8.970	.000

**Source: Researcher's Field Survey, 2024**

Table 4.7 presents the results of a regression analysis of the influence of internal auditor independent on the performance of local governments in Oyo State, Nigeria. The model summary indicates that the predictors (internal auditor independent) collectively explain approximately 23.8% of the variance in the performance of local governments, as indicated by the R square value of 0.238. The standard error of the estimate is approximately .33086. The ANOVA table demonstrates that the regression model is statistically significant ( $F(1,257) = 80.454, p < 0.000$ ), suggesting that the predictors (internal auditor independent) significantly contribute to explaining the variance in the performance of local governments in Oyo State. Examining the coefficients, internal auditor independent ( $\beta = .488, p < 0.000$ ) have statistically significant positive effects on performance of local governments in Oyo State. This indicates that an increase in the internal auditor independent is associated with a higher the performance of local governments. Thus, null hypothesis which stated that internal auditor independence does not significantly influence the performance of local governments in Oyo State, Nigeria, is not accepted.

**Ho3:** Monitoring and control activities do not have a significant influence on the performance of local governments in Oyo State, Nigeria

**Table 4.8: Influence of Monitoring and control activities on the performance of local governments in Oyo State, Nigeria**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.477 <sup>a</sup>	.227	.224	.33325

**ANOVA<sup>a</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	8.399	1	8.399	75.622	.000 <sup>b</sup>
Residual	28.542	257	.111		
Total	36.941	258			

a. Dependent Variable: performance of local governments

b. Predictors: (Constant), monitoring and control activities

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	2.227	.106			21.018	.000
monitoring and control activities	.291	.033	.477		8.696	.000

**Source: Researcher's Field Survey, 2024**

Table 4.8 presents the results of a regression analysis of the influence of monitoring and control activities on the performance of local governments in Oyo State, Nigeria. The model summary indicates that the predictors (monitoring and control activities) collectively explain approximately 22.7% of the variance in the performance of local governments, as indicated by the R square value of 0.227. The standard error of the estimate is approximately .33325. The ANOVA table demonstrates that the regression model is statistically significant ( $F(1,257) =$

75.622,  $p < 0.000$ ), suggesting that the predictors (monitoring and control activities) significantly contribute to explaining the variance in the performance of local governments in Oyo State. Examining the coefficients, monitoring and control activities ( $\beta = .477$ ,  $p < 0.000$ ) have statistically significant positive effects on performance of local governments in Oyo State. This indicates that an increase in the monitoring and control activities is associated with a higher the performance of local governments. Thus, null hypothesis which stated that Monitoring and control activities do not have a significant influence on the performance of local governments in Oyo State, Nigeria is not accepted.

#### **4.4 Discussion of the findings**

Finding of this study established that the internal auditor quality has influence of on the performance of local governments in Oyo State, Nigeria. Finding of this study is in agreement with the finding of some previous studies. Specifically, study established that internal auditors are tasked with evaluating internal controls, assessing risks, and providing independent assurance on the efficiency and effectiveness of organizational operations<sup>31</sup>. Finding of the study conducted by Ouda and Al-Htaybat claimed that auditor qualities such as competence, objectivity, and integrity of internal auditors significantly influence their ability to identify issues, recommend improvements, and contribute to organizational success<sup>31</sup>. The findings of the study revealed that; internal audit quality such as internal audit competence (COMP), internal objectivity (OBJEC), internal audit challenges (CHAL), and internal audit performance (PERF) had a positive and statistically significant relationship with financial controls in the selected public entities in Nigeria<sup>79</sup>. Another study correspond that the internal auditing function has positive and significant impact on business growth of SMEs<sup>81</sup>

Finding of this study established that internal auditor independence affect the performance of local governments in Oyo State, Nigeria. Finding of this study is in agreement with the finding of some previous studies. Specifically, study established that both internal audit independence, internal audit work performed, risk-based internal auditing and coordination between internal-external auditors were significantly and positively related to financial reporting quality<sup>97</sup>. A study conducted by Abiola, Arogundade and Abiola established that auditor independence was found to have a significant positive impact on organizational performance in the public sector<sup>38</sup>. Independent auditors are better positioned to identify control deficiencies, detect fraud, and mitigate risks, thereby contributing to enhanced governance effectiveness and financial stewardship<sup>38</sup>. Another evidence correspond that independence of internal auditor and management support for internal audit) with a positive influence on internal audit effectiveness, whereas the competence of internal auditors and quality of internal audit work did not affect internal audit effectiveness<sup>100</sup>.

Finding of this study established that monitoring and control activities have impact on the performance of local governments in Oyo State, Nigeria. Finding of this study is in agreement with the finding of some previous studies. Specifically, study established that monitoring and control activities involve continuous assessments of organizational processes, performance metrics, and compliance with regulations and policies<sup>39</sup>. Finding of the study conducted by Rahman, Meah and Chaudhory established that monitoring systems have an effect on businesses' financial performance, which strengthens their ability to accomplish their objectives<sup>52</sup>. Another finding of Research demonstrated a positive relationship between the implementation of monitoring and control mechanisms and organizational performance<sup>41</sup>. Another study established

that all the components of the internal control system had combined significant effect on accountability in the public parastatals<sup>103</sup>

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## Chapter Five

### Conclusion

#### 5.1 Summary of the Findings

The findings revealed that internal auditor quality significantly influences the performance of local governments in Oyo State, Nigeria. Financial department staff rated the influence positively, with a weighted mean score of 3.13, while the community perspective scored 2.66. Regression analysis further reveals that internal auditor quality explains 3.1% of the variance in performance ( $R^2 = 0.031$ ,  $\beta = 0.177$ ,  $p < 0.004$ ), leading to the rejection of the null hypothesis that it has no significant effect.

The findings also revealed that internal auditor independence positively affects local government performance. Staff perceptions yielded a weighted mean score of 3.11, and community views averaged 2.95. Regression results indicate that auditor independence accounts for 23.8% of the variance in performance ( $R^2 = 0.238$ ,  $\beta = 0.488$ ,  $p < 0.000$ ), showing a stronger impact than quality and supporting the rejection of the null hypothesis.

Additionally, the findings revealed that monitoring and control activities play a substantial role in enhancing performance. The financial staff rated these activities at a mean of 3.11, while the community perspective was slightly lower at 2.72. Regression analysis demonstrated that monitoring and control explain 22.7% of the variance in performance ( $R^2 = 0.227$ ,  $\beta = 0.477$ ,  $p < 0.000$ ), reaffirming their importance and rejecting the null hypothesis.

Finally, the findings revealed that overall internal audit performance is viewed positively, with a combined mean score of 3.11. Respondents noted improvements in financial management, education, welfare services, and infrastructure. Regression analyses consistently highlight the

statistically significant contributions of internal audit activities, demonstrating their critical role in local government performance in Oyo State.

## **5.2 Conclusion**

The findings concluded that internal auditing played an essential role in enhancing the performance of local governments in Oyo State, Nigeria. Internal auditor quality, independence, and monitoring activities were all identified as significant contributors to improved governance, resource allocation, and service delivery. Among these, auditor independence emerged as the most impactful factor, reflecting its importance in promoting transparency, accountability, and effective decision-making. These results highlighted the need for continued investment in strengthening internal audit functions to support the effective management and performance of local governments.

## **5.3 Recommendations**

Based on the findings, the following recommendations are proposed:

1. To enhance the performance of local governments in Oyo State, Nigeria, it is essential to prioritize the development of internal auditor quality. Local governments should invest in ongoing training and professional development programs to equip auditors with the necessary skills and competencies to improve governance and service delivery effectively. Enhancing their expertise will enable them to better address the challenges faced by local governments.
2. Strengthening internal auditor independence is equally critical. Local governments should establish clear policies and frameworks that minimize external influences and safeguard the objectivity of internal auditors. Ensuring their autonomy will foster greater transparency,

accountability, and effective decision-making processes, which are vital for achieving sustainable performance improvements.

3. Additionally, robust monitoring and control mechanisms should be implemented to optimize resource allocation and program execution. Regular evaluations of these processes can help identify gaps and weaknesses, enabling continuous improvement. By enhancing these controls, local governments can better manage resources and deliver services more efficiently.
4. Lastly, a holistic approach to internal auditing should be adopted, integrating quality, independence, and monitoring activities into a unified framework. Establishing clear benchmarks and performance metrics will allow local governments to assess and enhance their audit effectiveness continuously. These efforts will collectively strengthen governance structures and contribute to better service delivery and resource management.

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

This study made significant contributions to knowledge across conceptual, theoretical, empirical, and practical dimensions by incorporating the perspectives of both local government staff and the community, thereby offering a holistic understanding of internal auditing in public sector governance.

Conceptually, the study broadens the discourse on internal auditing by integrating the dual perspectives of local government staff and community members, providing a multidimensional framework for analyzing the impact of internal audit practices on governance and service delivery. This dual-lens approach enriches the conceptual understanding of how internal auditing supports both organizational efficiency and community needs.

Theoretically, the research enhances *Institutional Theory* by illustrating how internal auditing reinforces institutional norms and promotes transparency and accountability within local

governments. It also extends *Agency Theory* by demonstrating the pivotal role of internal auditors in reducing information asymmetry and ensuring alignment between public administrators and stakeholders, including the community. The inclusion of community perspectives emphasizes the external accountability dimension of internal auditing, complementing its traditional internal focus.

Empirically, the study contributes to the literature by offering evidence from a developing economy context, specifically examining local governments in Oyo State, Nigeria. The findings validate the significant influence of internal auditing on governance outcomes through the perspectives of both internal stakeholders (local government staff) and external stakeholders (community members). This dual approach provides a deep empirical foundation for understanding the broader societal implications of internal audit practices.

Practically, the study provides actionable acumens for policymakers and practitioners, emphasizing the importance of enhancing internal auditor quality, independence, and control mechanisms to address both organizational and community needs. It underscores the necessity of engaging communities in governance processes, ensuring that internal audit practices are aligned with public expectations and contribute meaningfully to societal outcomes.

### **5.5 Suggestion for Further Study**

Building on the findings of this study, several areas for further research are suggested to deepen understanding and address identified gaps:

1. Investigating the role of community engagement in internal auditing processes would provide insights into how participatory approaches influence governance outcomes and improve accountability in local governments.

2. Further exploration of the interplay between internal audit independence and organizational culture could reveal how institutional norms and values affect the effectiveness of audit practices.
3. Research could also delve into the integration of technology and data analytics in internal auditing, assessing their impact on audit quality and decision-making within local governments.
4. Examining the relationship between internal audit functions and specific service delivery areas, such as healthcare or education, would offer targeted insights into sector-specific performance improvements.

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## Appendices

### Appendix I - Questionnaires

#### Section A

#### Demographic Characteristics of Respondent

Please, fill in or tick (✓) as appropriate.

#### Section A: Demographic Characteristics

1. Gender: Male ( ), Female ( )
2. Age: 15–20 ( ) 21–30 ( ) 31-40 ( ) 41-60 ( )
3. Academic/Professional Qualification: ND ( ), NCE ( ), B.Sc/HND ( ), M.Sc ( ), Ph.D ( )
4. Kindly state your professional qualification if any ACCA ( ), ACA ( ), CCA ( ), ACIB ( ) CFA ( ), Others ( )
5. What cadre do for belong to? Clerical Officer ( ), Executive Officer ( ), Accountant ( ), Others ( )
6. Departments: dministration ( ), Finance ( ), Audit ( )

7. How many years have you spent in service?

Less than 5 years (     ), between 5 and 10 years (     ), between 11 and 15 years (     )

Above 15 years (     ).

Please note that in the table below, following abbreviations are defined as follows:

SA denotes Strongly Agree

A denotes Agree

D denotes Disagree

SD denotes Strongly Disagree

S/N	Items	SA	A	D	SD
	<b>Internal Audit Quality</b>				
	The competence of internal auditors has enhanced the availability and safety of drinking water in our local government.				
	High-quality internal auditing has positively impacted the provision of basic healthcare services in our local government.				

Internal auditors' analytical and critical thinking skills are essential for enhancing basic healthcare services in our LGA				
Regulatory compliance and adaptability are vital for the LGA's effectiveness and empowering youth and women economically.				
Skilled internal auditors support the LGA's effective functioning to empower youth and women economically.				
<b>Internal Auditor Independence</b>				
Auditor objectivity enhances the LGA's ability to improve education.				
Auditor objectivity improves the effectiveness of LGA welfare initiatives.				
Independent audits hold the LGA accountable for youth empowerment.				
Auditor impartiality aligns women's empowerment spending with community needs.				
Auditor impartiality improves the LGA's overall performance.				
<b>Monitoring &amp; Control Activities</b>				
Effective monitoring and control enhance the LGA's educational services.				
Strong monitoring and control improve welfare service delivery.				
Rigorous monitoring and control strengthen youth empowerment programs.				

Effective monitoring and control optimize women's empowerment spending.				
Strong monitoring and control enhance the LGA's overall performance.				
<b>Performance within Local Governance</b>				
The performance of financial management in our local government has improved due to the competence of internal auditors.				
The performance of governance practices has been enhanced by the independence of internal auditors, ensuring unbiased evaluations.				
The performance efficiency of governance operations has significantly increased due to effective monitoring and control activities.				
<b>Basic Education</b>				
The performance of basic education services has improved with better resource allocation due to high-quality internal auditing.				
The performance of educational programs and expenditures has been optimized through the impartial reviews provided by independent auditors.				
The performance quality of basic education services has been enhanced by effective monitoring and control activities.				
<b>Basic Healthcare</b>				

	The performance of healthcare services has improved due to better management of resources by high-quality internal auditing.				
	The performance evaluation of healthcare services has been unbiased and improved by independent internal auditors.				
	The performance quality of basic healthcare services has been enhanced by effective monitoring and control activities.				
	<b>Safe Drinking Water Provisioning</b>				
	The performance of water resource management has improved due to high-quality internal auditing.				
	The performance of water provision services has been improved through unbiased evaluations by independent internal auditors.				
	The performance quality of water provisioning services has been enhanced by effective monitoring and control activities.				
	<b>Infrastructure Maintenance</b>				
	The performance of infrastructure project management has improved due to high-quality internal auditing.				
	The performance of infrastructure projects has been optimized through unbiased evaluations by independent internal auditors.				

	The performance quality of infrastructure maintenance services has been enhanced by effective monitoring and control activities.				
	<b>Economic Empowerment Initiatives for Youths and Women</b>				
	The performance of economic empowerment initiatives has improved due to better management by high-quality internal auditing.				
	The performance evaluation of empowerment initiatives has been unbiased and improved by independent internal auditors.				
	The performance quality of economic empowerment initiatives has been enhanced by effective monitoring and control activities.				

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**Questionnaire Title: Community Perspectives on Internal Audit Practices and  
Performance of Local Governments in Oyo State, Nigeria**

**Section A: Demographic Information**

**1. Gender:**

- a.  Male   b.  Female   c.  Other

**2. Age Group:**

- a.  18-25   b.  26-35   c.  36-45   d.  46-55   e.  56 and above

**3. Educational Level:**

- a.  No formal education   b.  Primary education   c.  Secondary education   d.   
Tertiary education   e.  Postgraduate education

**4. Occupation:**

- a.  Employed   b.  Self-employed   c.  Student   d.  Unemployed   e.  Retired

**5. Local Government Area (LGA):** (Please specify)

**Section B: Internal Audit Practices and Performance**

**Instructions:** Please indicate your level of agreement with the following statements.

(1 = Strongly Disagree, 2 = Disagree, 3 = Agree, 4 = Strongly Agree)

SN	Items	SA	A	D	SD
	<b>Financial Oversight and Service Improvement</b>				
	Reviewing financial records and processes helps our LGA improve the quality of basic healthcare services.				
	Evaluating educational programs and policies helps our LGA improve the quality of education.				
	Assessing social service delivery helps our LGA provide better social services to the community.				
	Internal audit activities, such as reviewing youth empowerment programs, support the effectiveness of our LGA's youth initiatives.				
	Internal audit activities, such as reviewing women's empowerment programs, improve support for women in our community.				
	<b>Monitoring and Control Practices</b>				
	Our LGA does a good job of tracking its spending on basic healthcare through monitoring and control activities.				
	The LGA effectively monitors and controls its education spending, ensuring efficient resource allocation.				
	Social service spending is well-tracked by the LGA through comprehensive monitoring and control.				
	The LGA employs effective monitoring and control practices to				

	manage youth program expenditures.				
	Women's program funding is carefully managed by the LGA, with strong monitoring and control activities.				
	<b>Impact of Internal Auditor Independence</b>				
	Independent internal auditors contribute significantly to the efficient financial management of our local government.				
	The autonomy of internal auditors strengthens transparency and accountability within our LGA's operations.				
	Independent internal auditing practices improve the quality of financial reporting within our LGA.				
	The objectivity of internal auditors enhances the detection and mitigation of financial risks in our LGA's activities.				
	An independent internal audit function fosters better decision-making processes, driving improved performance in our LGA.				

### Appendix II – SPSS Raw Output

What is the influence of internal auditor quality on the performance of local governments in Oyo State, Nigeria?

	STRONGLY DISAGREE		DISAGREE		AGREE		STRONGLY AGREE	
	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %
The competence of internal auditors has enhanced the availability and safety of drinking water in our local government.	28	10.8%	38	14.7%	69	26.6%	124	47.9%
High-quality internal auditing has positively impacted the provision of basic healthcare services in our local government.	0	0.0%	51	19.7%	90	34.7%	118	45.6%
Internal auditors' analytical and critical thinking skills are essential for enhancing basic healthcare services in our LGA	20	7.7%	49	18.9%	79	30.5%	111	42.9%

Regulatory compliance and adaptability are vital for the LGA's effectiveness and empowering youth and women economically.	4	1.5%	71	27.4%	62	23.9%	122	47.1%
Skilled internal auditors support the LGA's effective functioning to empower youth and women economically.	18	6.9%	49	18.9%	96	37.1%	96	37.1%

4. How does internal auditor independence affect the performance of local governments in Oyo State, Nigeria?

	STRONGLY DISAGREE		DISAGREE		AGREE		STRONGLY AGREE	
	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %
Auditor objectivity enhances the LGA's ability to improve education.	17	6.6%	47	18.1%	99	38.2%	96	37.1%
Auditor objectivity improves the effectiveness of LGA welfare initiatives.	6	2.3%	68	26.3%	98	37.8%	87	33.6%
Independent audits hold the LGA accountable for youth empowerment.	13	5.0%	64	24.7%	70	27.0%	112	43.2%
Auditor impartiality aligns women's empowerment spending with community needs.	7	2.7%	41	15.8%	94	36.3%	117	45.2%
Auditor impartiality improves the LGA's overall performance.	7	2.7%	64	24.7%	74	28.6%	114	44.0%

5.

6. What impact do monitoring and control activities have on the performance of local governments in Oyo State, Nigeria?

	STRONGLY DISAGREE		DISAGREE		AGREE		STRONGLY AGREE	
	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %
Effective monitoring and control enhance the LGA's educational services.	17	6.6%	51	19.7%	78	30.1%	113	43.6%
Strong monitoring and control improve welfare service delivery.	0	0.0%	47	18.1%	98	37.8%	114	44.0%
Rigorous monitoring and control strengthen youth empowerment programs.	16	6.2%	42	16.2%	95	36.7%	106	40.9%
Effective monitoring and control optimize women's empowerment spending.	10	3.9%	64	24.7%	89	34.4%	96	37.1%
Strong monitoring and control enhance the LGA's overall performance.	15	5.8%	63	24.3%	85	32.8%	96	37.1%

HYPOTHESIS 1

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
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1	.177 <sup>a</sup>	.031	.027	.37317
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**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.152	1	1.152	8.274	.004 <sup>b</sup>
	Residual	35.788	257	.139		
	Total	36.941	258			

a. Dependent Variable: MeanPERF

b. Predictors: (Constant), MeanIAQ

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations		
		B	Std. Error				Lower Bound	Upper Bound	Zero-order	Partial	Part
		1	(Constant)	2.800	.117		23.870	.000	2.569	3.031	
	MeanIAQ	.106	.037	.177	2.876	.004	.033	.178	.177	.177	.177

a. Dependent Variable: MeanPERF

**HYPOTHESIS 2**

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics			
					R Square Change	F Change	df1	df2
1	.488 <sup>a</sup>	.238	.235	.33086	.238	80.454	1	

a. Predictors: (Constant), MeanIAI

b. Dependent Variable: MeanPERF

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.807	1	8.807	80.454	.000 <sup>b</sup>
	Residual	28.133	257	.109		
	Total	36.941	258			

a. Dependent Variable: MeanPERF

b. Predictors: (Constant), MeanIAI

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**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations		
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part

1	(Constant)	2.212	.104		21.184	.000	2.007			
	Mean	.295	.033	.488	8.970	.000	.231	.488	.488	.488

a. Dependent Variable: MeanPERF

### HYPOTHESIS3

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.477 <sup>a</sup>	.227	.224	.33325	.227	75.622	1	257	.000

a. Predictors: (Constant), MeanMCA

b. Dependent Variable: MeanPERF

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.399	1	8.399	75.622	.000 <sup>b</sup>
	Residual	28.542	257	.111		
	Total	36.941	258			

a. Dependent Variable: MeanPERF

b. Predictors: (Constant), MeanMCA

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	Correlations

	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial
1 (Constant)	2.227	.106		21.018	.000	2.018	2.436		
MeanMC A	.291	.033	.477	8.696	.000	.225	.356	.477	.477

a. Dependent Variable: MeanPERF

#### Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
The competence of internal auditors has enhanced the availability and safety of drinking water in our local government.	259	1.00	4.00	3.1158	1.02399
High-quality internal auditing has positively impacted the provision of basic healthcare services in our local government.	259	2.00	4.00	3.2587	.76672
Internal auditors' analytical and critical thinking skills are essential for enhancing basic healthcare services in our LGA	259	1.00	4.00	3.0849	.96072
Regulatory compliance and adaptability are vital for the LGA's effectiveness and empowering youth and women economically.	259	1.00	4.00	3.1660	.88454

Skilled internal auditors support the LGA's effective functioning to empower youth and women economically.	259	1.00	4.00	3.0425	.91612
VAR00007	0				
Auditor objectivity enhances the LGA's ability to improve education.	259	1.00	4.00	3.0579	.90248
Auditor objectivity improves the effectiveness of LGA welfare initiatives.	259	1.00	4.00	3.0270	.83251
Independent audits hold the LGA accountable for youth empowerment.	259	1.00	4.00	3.0849	.93620
Auditor impartiality aligns women's empowerment spending with community needs.	259	1.00	4.00	3.2394	.81450
Auditor impartiality improves the LGA's overall performance.	259	1.00	4.00	3.1390	.88264
VAR00008	0				
Effective monitoring and control enhance the LGA's educational services.	259	1.00	4.00	3.1081	.94207
Strong monitoring and control improve welfare service delivery.	259	2.00	4.00	3.2587	.74623
Rigorous monitoring and control strengthen youth empowerment programs.	259	1.00	4.00	3.1236	.89799
Effective monitoring and control optimize women's empowerment spending.	259	1.00	4.00	3.0463	.87923
Strong monitoring and control enhance the LGA's overall performance.	259	1.00	4.00	3.0116	.92125
VAR00009	0				

The performance of financial management in our local government has improved due to the competence of internal auditors.	259	1.00	4.00	3.1081	.94207
The performance of governance practices has been enhanced by the independence of internal auditors, ensuring unbiased evaluations.	259	2.00	4.00	3.2587	.74623
The performance efficiency of governance operations has significantly increased due to effective monitoring and control activities.	259	1.00	4.00	3.1236	.89799
The performance of basic education services has improved with better resource allocation due to high-quality internal auditing.	259	1.00	4.00	3.0463	.87923
The performance of educational programs and expenditures has been optimized through the impartial reviews provided by independent auditors.	259	1.00	4.00	3.0116	.92125
The performance quality of basic education services has been enhanced by effective monitoring and control activities.	259	1.00	4.00	3.0888	.96641
The performance of healthcare services has improved due to better management of resources by high-quality internal auditing.	259	2.00	4.00	3.2548	.75530

The performance evaluation of healthcare services has been unbiased and improved by independent internal auditors.	259	1.00	4.00	3.1158	.87720
The performance quality of basic healthcare services has been enhanced by effective monitoring and control activities.	259	1.00	4.00	3.1120	.93542
The performance of water resource management has improved due to high-quality internal auditing.	259	1.00	4.00	3.2510	.76929
The performance of water provision services has been improved through unbiased evaluations by independent internal auditors.	259	1.00	4.00	3.0502	.84070
The performance quality of water provisioning services has been enhanced by effective monitoring and control activities.	259	2.00	4.00	3.1853	.75510
The performance of infrastructure project management has improved due to high-quality internal auditing.	259	1.00	4.00	3.2703	.80954
The performance of infrastructure projects has been optimized through unbiased evaluations by independent internal auditors.	259	1.00	4.00	3.0039	.96649

The performance quality of infrastructure maintenance services has been enhanced by effective monitoring and control activities.	259	1.00	4.00	3.0116	.86033
The performance of economic empowerment initiatives has improved due to better management by high-quality internal auditing.	259	1.00	4.00	3.0772	.91596
The performance evaluation of empowerment initiatives has been unbiased and improved by independent internal auditors.	259	1.00	4.00	3.3436	.75846
The performance quality of economic empowerment initiatives has been enhanced by effective monitoring and control activities.	259	1.00	4.00	3.1390	.89572
MeanIAQ	259	2.00	4.00	3.1336	.63312
MeanIAI	259	1.20	4.00	3.1097	.62557
MeanMCA	259	1.20	4.00	3.1097	.62085
MeanPERF	259	2.20	4.00	3.1308	.37839
Valid N (listwise)	0				

		Count	Column N %
Gender		10	3.7%
	Female	0	0.0%
	1.0	177	65.8%
	male	0	0.0%
Age	2.0	82	30.5%
	15-20	18	6.9%
	21-30	85	32.8%
	31-40	75	29.0%
	41-50	39	15.1%

	51-60	42	16.2%
AcademicQualification	ND	10	3.9%
	NCE	24	9.3%
	BSc/HND	102	39.4%
	MSC	82	31.7%
	PhD	41	15.8%
	ProfessionalQualification	ACCA	43
ACA		59	22.8%
CCA		59	22.8%
ACIB		72	27.8%
CFA		26	10.0%
Cadre		Clerical Officer	86
	Executive Officer	77	29.7%
	Accountant	96	37.1%
	Others	0	0.0%
Department	Administration	128	49.4%
	Finance	48	18.5%
	Audit	83	32.0%

#### YearofService

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-4 years	30	11.2	11.6	11.6
	5-10 years	119	44.2	45.9	57.5
	11-15 years	90	33.5	34.7	92.3
	16 and above	20	7.4	7.7	100.0
	Total	259	96.3	100.0	
Missing	System	10	3.7		
Total		269	100.0		

		Count	Column N %
CPGENDER	MALE	38	63.3%
	FEMALE	22	36.7%
CPAGE	18-25	1	1.7%
	26-35	20	33.3%

	36-45	28	46.7%
	46-55	11	18.3%
	56 and above	0	0.0%
CPEDUCATIONALQUALIFI	No Formal Education	0	0.0%
CATION	Primary Education	0	0.0%
	Secondary Education	0	0.0%
	Tertiary Education	59	98.3%
	Postgraduate Education	1	1.7%
CPOCCUPATION	Employed	24	40.0%
	Self-Employed	19	31.7%
	Student	0	0.0%
	Unemployed	0	0.0%
	Retired	17	28.3%

#### Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
MeanIAQ	259	2.00	4.00	3.1336	.63312
MeanIAI	259	1.20	4.00	3.1097	.62557
MeanMCA	259	1.20	4.00	3.1097	.62085
MeanPERF	259	2.20	4.00	3.1308	.37839
Valid N (listwise)	259				

	STRONGLY DISAGREE		DISAGREE		AGREE		STRONGLY AGREE	
	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %
Independent internal auditors contribute significantly to the efficient financial management of our local government.	5	8.3%	9	15.0%	25	41.7%	21	35.0%
The autonomy of internal auditors strengthens transparency and accountability within our LGA's operations.	6	10.0%	17	28.3%	13	21.7%	24	40.0%

Independent internal auditing practices improve the quality of financial reporting within our LGA.	5	8.3%	11	18.3%	21	35.0%	23	38.3%
The objectivity of internal auditors enhances the detection and mitigation of financial risks in our LGA's activities.	5	8.3%	16	26.7%	20	33.3%	19	31.7%
An independent internal audit function fosters better decision-making processes, driving improved performance in our LGA.	3	5.0%	21	35.0%	15	25.0%	21	35.0%

#### Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Reviewing financial records and processes helps our LGA improve the quality of basic healthcare services.	60	1.00	4.00	2.7500	1.15897
Evaluating educational programs and policies helps our LGA improve the quality of education	60	1.00	4.00	2.5500	1.12634
Assessing social service delivery helps our LGA provide better social services to the community.	60	1.00	4.00	2.7667	1.19840
Internal audit activities, such as reviewing youth empowerment programs, support the effectiveness of our LGA's youth initiatives.	60	1.00	4.00	2.6167	1.09066

Internal audit activities, such as reviewing women's empowerment programs, improve support for women in our community.	60	1.00	4.00	2.6167	1.12131
Our LGA does a good job of tracking its spending on basic healthcare through monitoring and control activities.	60	1.00	4.00	2.8333	1.13745
The LGA effectively monitors and controls its education spending, ensuring efficient resource allocation.	60	1.00	4.00	2.4500	1.22716
Social service spending is well-tracked by the LGA through comprehensive monitoring and control.	60	1.00	4.00	2.7000	1.13943
The LGA employs effective monitoring and control practices to manage youth program expenditures.	60	1.00	4.00	2.8000	1.13197
Women's program funding is carefully managed by the LGA, with strong monitoring and control activities.	60	1.00	4.00	2.8000	1.00507
Independent internal auditors contribute significantly to the efficient financial management of our local government.	60	1.00	4.00	3.0333	.91996
The autonomy of internal auditors strengthens transparency and accountability within our LGA's operations.	60	1.00	4.00	2.9167	1.04625

Independent internal auditing practices improve the quality of financial reporting within our LGA.	60	1.00	4.00	3.0333	.95610
The objectivity of internal auditors enhances the detection and mitigation of financial risks in our LGA's activities.	60	1.00	4.00	2.8833	.95831
An independent internal audit function fosters better decision-making processes, driving improved performance in our LGA.	60	1.00	4.00	2.9000	.95136
MeanCPFOSI	60	1.00	4.00	2.6600	.83345
MeanCPMCP	60	1.00	4.00	2.7167	.76384
MeanCPIIAI	60	1.00	4.00	2.9533	.63285
Valid N (listwise)	60				

	STRONGLY DISAGREE		DISAGREE		AGREE		STRONGLY AGREE	
	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %
Reviewing financial records and processes helps our LGA improve the quality of basic healthcare services.	14	23.3%	7	11.7%	19	31.7%	20	33.3%
Evaluating educational programs and policies helps our LGA improve the quality of education	15	25.0%	12	20.0%	18	30.0%	15	25.0%
Assessing social service delivery helps our LGA provide better social services to the community.	14	23.3%	9	15.0%	14	23.3%	23	38.3%

Internal audit activities, such as reviewing youth empowerment programs, support the effectiveness of our LGA's youth initiatives.	12	20.0%	15	25.0%	17	28.3%	16	26.7%
Internal audit activities, such as reviewing women's empowerment programs, improve support for women in our community.	15	25.0%	8	13.3%	22	36.7%	15	25.0%

	STRONGLY DISAGREE		DISAGREE		AGREE		STRONGLY AGREE	
	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %
Our LGA does a good job of tracking its spending on basic healthcare through monitoring and control activities.	11	18.3%	11	18.3%	15	25.0%	23	38.3%
The LGA effectively monitors and controls its education spending, ensuring efficient resource allocation.	22	36.7%	4	6.7%	19	31.7%	15	25.0%
Social service spending is well-tracked by the LGA through comprehensive monitoring and control.	13	21.7%	11	18.3%	17	28.3%	19	31.7%
The LGA employs effective monitoring and control practices to manage youth program expenditures.	12	20.0%	9	15.0%	18	30.0%	21	35.0%

Women's program funding is carefully managed by the LGA, with strong monitoring and control activities.	5	8.3%	22	36.7%	13	21.7%	20	33.3%
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### Bio-data

#### A. Personal Data

**Full Name:** Taiwo Racheal ONI

**Address:** Up Jesus Gbekuba Apata Ibadan

**E-mail Address:** jibyy2014@gmail.com

**Phone Number:** 08060261601

**Date** 27th August 1974

**Place of Birth:** Ibadan

**Nationality:** Nigerian

**Name of Next of Kin:** Oni A.S.

**Address of Next of Kin** Up Jesus Gbekuba Apata Ibadan

#### B. Educational Background

**Educational Institutions Attended with Dates and Qualification:**

- i. **Primary Education: Abadina Primary School, U.I Ibadan**
  - Primary School Leaving Certificate 1987
- ii. **Secondary Education: Abadina College, U.I Ibadan**
  - West African School Certificate 1993
- iii. **Higher Education Institution:**
  - The Polytechnic Ibadan Oyo State  
Higher National Diploma (HND) Accountancy 2004
  - Lead City University Ibadan  
BSc. in Accounting 2020
  - Lead City University, Ibadan  
Master of Science (M.Sc) Accounting In view

**C. Working Experience with Dates:** Local Government Service Commission

Ibadan Oyo State 2005-present

**D. Awards and Fellowships (if any):** No

**E. Membership of Academic Professional Bodies:**

- Institute of Chartered Accountant of Nigeria (ICAN)

**F. Publication if Any - None**

(a) Published Journals/Articles

**Seminal Papers Accepted For Publication: None**

**Seminal Papers Presented At Conference: None**

**Thesis/ Dissertation: None**

**Books/Monographs: None**

**Major Conference / Workshop Attended:**

Annual Accountant Conference. International Conference Centre & Sheraton, Abuja Hotel.  
2022. Academic & Industry Edge, Department of Management and Accounting, Lead City  
University, Ibadan Oyo State.

Western Accountant Conference. Jogor Centre, Ring Road Ibadan. 2024

**G. Notable Scholarly or Professional Accomplishment:**

- Associate Member of Institute of Chartered Accountant of Nigeria (ACA)

**H. Referees**

- Mr Oni Ajibare S.  
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Tel: 08052147754  
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- Mr Idowu Abodunrin  
Position: Teacher  
Orogun Grammar School, Orogun Ibadan  
Tel: 07062608957

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**Signature**

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**Date**

### **The University Compliance Certification**

This is to certify that this thesis was carried out by **Taiwo Racheal ONI** with matric number **LCU/PG/002667** in the department of Management and Accounting, Faculty of Management & Social Sciences, Lead City University, Ibadan, is in Full compliance with the approved University format and style.

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Signature

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Date