

AN APPRAISAL OF INTERNAL AUDIT SYSTEM AS A MEASURE  
FOR EFFECTIVE AND EFFICIENT PERFORMANCE IN PUBLIC S  
ECTOR

(A CASE STUDY OF NIGERIA IMMIGRATION SERVICES KWARA STATE C  
OMMAND)

BY

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BEING A RESEARCH PROJECT SUBMITTED TO DEPARTMENT OF ACCO  
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**CERTIFICATION**

This is to certify that this research work conducted by SOLIU ZAINAB AJIKE with  
matric number HND/23/ACC/FT/343 has been read and approved as meeting the requ

irements of the Department of Accountancy, Institute of Finance and management Studies, Kwara State Polytechnic, Ilorin for the award of Higher National Diploma (HND).

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### **DEDICATION**

This research work is dedicated to Almighty God, for making it possible for m

From the inception to the completion of this program, the Author and Finisher, the Alpha and Omega, the most merciful.

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 BACKGROUND TO THE STUDY**

The problem associated with most government parastatals which often leads to their collapse is lack of their effective internal audit which is carried out by the internal audit of such parastatals. They believe of government now is to make profit or at least to break even. In order to achieve this aim, there are laid down policies for such establishments this policies will guide the service in meeting its achievement. The survival of the service depends on a well established internal control system, which can be defined as a whole system of control, financial and otherwise established by the management in order to carry out the business of the enterprise in an orderly and efficient manner, ensure the adherence to the management policies, safeguard the asset of the enterprise individual component of an internal control.

When these big internal are designed by the managements, they establish another system to ensure that these internal control are been strictly adhered to this system is known as internal audit and it is handled by the internal audit section of any organization.

Different definitions have being giving to internal audit by different accounting expert Howard Lizie, E.E (2006) AckalHyanike (2006) etc.

Internal audit can be define as the review of the operation and records undertaken within a business carried out by the internal staff and can

be continuous process of verification and review carried out by an independent unit reporting to the top management on the adequacy of control measure so as promote efficiency and effectiveness.

## **1.2 STATEMENT OF THE PROBLEM**

As it is known that internal audit in an independent appraisal function established by the management of an organization for the review of the internal control system as a service to the organization which consist of examination, evaluation and reporting on the adequacy of the internal control as a contribution is the proper economic, efficient and effectiveness use of resource encounters difficulties in its functions.

Some of the major problems encountered with internal audit section in public enterprises are truly independent in mind and in attitude in some internal audit section there is lack of competence, which makes the audit work valueless.

Communication is also a problem affecting internal audit department of public enterprises. Ineffective means of communication within the department cause strings.

Firstly, there has to be disclosure all matters necessary to a full understanding of opinion within the department and disclosure should be made to the proper authorities of the matters which in one way or the other not properly done.

## **1.3 RESEARCH QUESTIONS**

- i. Has the internal departments reduces fraud and mismanagement i



n your organization

- ii. How effective is the type of internal audit system adopted by your organization
- iii. How reliable and effective is internal auditor department to the external auditors.

#### **1.4 OBJECTIVES OF THE STUDY**

- i. The aim of this study is to go into study and value the internal audit system adopted by the department of the Nigerian immigration service Kwara State Command,
- ii. The study will verify the internal auditing adopted if functioning as it is handled by the internal audit department and if not, to highlight measures that the corporation can use to make internal audit function effectively.
- iii. Auditing aimed at the examination and verification of government receipts and payments.
- iv. It is also one objective of auditing to correct irregular payment and to alert the authority of any illegal and usually payment and release of public funds one of the objectives of audit is adequately equipped and financial enough to perform its function effectively and efficiency.

#### **1.5 RESEARCH HYPOTHESES**

Hypothesis will be made based on the finding in the course of this r

research and when tested it will confirm or refuse the extents at which finance has served as necessity for small scale on job creation and efficiency.

Null and alternative hypothesis are going to be formulated and tested later to ascertain their validity.

**H<sub>1</sub>:** There is no remedy to problems fraud in Nigeria immigration service

**H<sub>2</sub>:** Internal audit does not have impact on the performance of public sector

**H<sub>3</sub>:** There are no relationships between internal audit and public sector performance

## **1.6 SIGNIFICANCE OF THE STUDY**

The significance of this study is that it will make the measurement of the service to know the tools that can be used to measure or evaluate the policies adopted as far as internal audit is concerned and also to ensure that exclusion as it on which operation critically upon are properly secured and safeguard to prevent misappropriation and that important document which provide information on which significant strategic and technical decision and based provide complete, accurate and timely record of relative event. Secondly, the management of the service will have the information about the effectiveness of internal control system which will assist them to make decision if there deviation. The study will make internal audit to improve in their skill of work.

## **1.7 SCOPE OF THE STUDY**

This research work covers an appraisal of internal audit system as a measure for effective and efficient performance evaluation in public sector using Nigerian Immigration Service, Kwara State Command, Ilorin. The study covers between 2016-2020 which is approximately 4 years.

## **1.8 LIMITATION OF THE STUDY**

A very important major limitation to this research is that all old account of three to five years are checked in arrears. This procedure of auditing however made abnormally observed during the inspection and verification very impossible to rectify.

Prominent among limitation of auditing is the liability of officer's in charge of record and document to effectively trace such records since it involves arrears of three to five years.

Another limitation is lack of sufficient personnel in the audit department, this gives rise to areas of audit work for month, this is against the objective of audit department in the office of immigration service Kwara state.

Relevant file description of payment vouchers can not be traced to know what is in the offering inside of such vouchers. In the examination of salaries payment vouchers there is no up to date nominal roll (staff lists) so as to identify if and where ghost workers exists.

The physical examination of project on contract is not accurately determined this is because auditors are not trained in the act of project valuation, which is purely the work of values and quantity surveyors, where could

never be effective auditing the report will be based.

Finally, the current inflationary trends in the counting cost at the beginning of the project are usually unrealistic when compared with the cost of completion of the project. The inflationary trend thus making valuation of government contracts to contractors very realistic and government often eventually pass more for contractors at the completion than at the beginning of the project.

### **1.9 DEFINITION OF KEY TERMS**

**INTERNAL AUDIT DEPARTMENT:** This is a section in an organization which is responsible for monitoring, examining, evaluating and reporting of periodic review of operations made by the internal control system, i.e. the effectiveness and efficiency.

**INTERNAL CONTROL SYSTEM:** This is the system of operation by an organization in running the internal section of such organization. The individual component of internal control system is control or internal control.

**PUBLIC ACCOUNTING SYSTEM:** This has been defined as a process of recording, analyzing, summarizing, reporting or communicating and interpreting of financial information about government in aggregate and detail reflecting all transaction involving the receipts transfer and disbursement of government fund and property.

**ACCOUNTING CONTROL:** These are measure that relates to protection of asset accuracy of an account to the reliability of accounting data and dependability.

**VOUCHER:** This is the printed piece of paper, which can be used instead or in place of money for payment.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 CONCEPTUAL FRAMEWORK**

The definition of internal audit has been giving by different auditors that are specialized in the area of audit. Millichamp (1993) in his book titled "AUDITING AND INSTRUCTIONAL MANUAL FOR ACCOUNTING STUDENTS" define internal audit as part of internal control system as well as the result of the operation in order to report on the efficiency and effectiveness of internal control and accounting system and to suggest improvement where necessary and to report on the result of operation variation, form plans and the reasons therefore.

Also, A.O Aiyedogbon (2002) in his book "AUDITING AND INVESTIGATION MANUAL" defines internal audit as audit carried out by the staff of the organization. As a basis for service to the management it is a managerial control which functions by measuring and evaluating the effectiveness of their control, it is the control which measures, evaluate and report upon the effective use of resources within the organization. The internal audit function is delegated the management to the employees who have this as their sole responsibility the employees known as internal constituting the internal audit section are not carry out other duty in the organization that could not result conflicting internal and consequently which will impair their independence.

##### **2.1.1 THE NATURE OF INTERNAL AUDIT**

The nature of internal audit includes;

- ❖ The type of any internal audit in any organization.
- ❖ The relationship between internal auditor and external auditor.
- ❖ The work of internal auditor.
- ❖ Internal audit approach.

Types of internal audit include;

- ❖ **Operational audit:** According to David N. Ricchute (2002) in "auditing concept and standard" operational audit is audit of specific set of operation i.e. departmental operations.
- ❖ **Functional audit:** This is an audit of specific function in any organization such as that a wage preparation or sales ordering uses his.
- ❖ **Organizational audit:** This is an audit of organization set up the previous two are concerned within the efficiency or part of it in which the procedure are carried out.
- ❖ **Company audit.** In modern world, many companies are part of a group of companies i.e. audit of subsidiary company.
- ❖ **Ad-hoc audit:** An internal audit is often considered a suitable person because of his relative often independence and his training in investigation or trouble shooting assignment. Ad-hoc audit is therefore audit work carried out due to special request by the management.
- ❖ **Management audit:** This is an audit of an enquiry into the advisability of any policy of the direction in furthering the objectives of the company's defined in the memorandum and into the efficiency with which th

ey are securing the execution of those policies.

### **2.1.2 RELATIONSHIP BETWEEN INTERNAL AUDITORS AND EXTERNAL AUDITORS**

The aim of internal audit is to assist the external auditor to carry out his duties, especially the reliance it place on the internal control system. One of the differences between internal and external auditors is determined by the management and status.

External auditor approach is to ensure that the financial statement is to be presented to the shareholders shows a true and fair review of the profit and loss account for the period and for the state of the company's affair at the end of the period. The internal auditors are responsible to the shareholders. Apart from the fact that internal auditors are different from external auditors, there are ways that both are similar to each other. One of the similarities is audit techniques and procedures, both auditors use narrative and system, internal control system, questionnaires and flow charting to record the system. Both auditors perform similar and substantive test on the internal control system and transaction and balance respectively. Both auditors maintain independence over the work they review.

### **2.1.3 INTERNAL AUDIT APPROACH**

Internal audit use vouching approach and system approach as a system



of their audit.

- Vouching approach: This is the exaggeration of all documentary evidence which is capable to support the arithmetic of transaction entered in the company's record.
- ❖ System approach: This is the examination, evaluation and testing of the company's accounting procedure so that the internal auditors can assess the degree to which they consider it safe to rely on the accuracy of information procedure on them.

In doing this, the internal auditors try to obtain sufficient reliable and reliable evidence which can be gotten from substantive and compliance test. Evidences are the information obtained by the auditor during the audit work which he based his opinion.

Substantive test is also known as weakness test, it is any test which seeks direct evidence of the correct treatment of a transaction and balance on asset, a liability or any item in the book of account.

Substantive test is adopted where internal control system has been weakening as a result of compliance test. Compliance test seeks to provide audit evidence on which the internal control procedure are been adopted as prescribed.

The internal auditor records system of their company by system role, internal control questionnaires and flow charts, and it is simple to understand. Internal control questionnaires is a series of question that sought to describe the system in operation.

Flow charts is a method of presenting system graphically by showing how staff duties are been segregated how accounting system relates to other facts of business, or record of operation performed and the consequence. The internal auditor uses sample size in testing the accounting record and documentary evidence.

This is because of large size of the business, the internal record and document therefore the internal auditor can use judgment and statistical sampling. In judgment sampling the internal auditor.

Personal judgment to determine the sample size, as well as the item to be selected for sampling Statistical involves the examination in the population through the selection of relatively small sample on the basis of sound mathematical principle by the internal auditors.

According to Ademola Uthman (2006), the work of an internal auditor varies from one establishment i.e public enterprises to the other the work of an internal audit includes;

1. Auditing of salaries payment voucher monthly consequence
2. Checking of record of service before transfer service
3. Audit of income and expenditure account of an organization
4. Checking of external payment voucher
5. Audit for store record Endorsement of audit report an organization

#### **2.1.4 RELIANCE ON INTERNAL AUDITORS WORK BY EXTERNAL AUDITORS**

According to Ademola Uthman (2006) in his book titled "Auditing a

and investigation" the reliance of internal auditor work by the external auditors could be;

- a. Work performed by an internal auditor as part of their duties
- b. Work performed by an internal auditor at external auditors duties the strength of an organization is internal auditor function is among series of verification considered by an external auditor when planning and conducting an audit before any decision is taken, reliance on the internal on the following basis;

Independence: This aspect, the external auditor reviews the independence of an internal auditor by considering the organization level to which the internal auditor belongs where the internal audit is below the organization level to which they report, the external auditor cannot consider the internal auditor to be independent.

Competence: This can be reviewed by considering for example, the organization practice when hiring, training, promoting and supervising internal auditors. This also involves the number of suitable /qualified and experienced staff employed in the internal audit.

Scope: The scope extent, direction and timing of the test made internal auditors.

Evidence: The evidence available for the work of audit

Quality: The quality of internal auditors report

Limitation: The extent to which management take decision based on the report of internal auditor.

### **2.1.5 INTERNAL AUDIT COMPARED TO INTERNAL CONTROL AND INTERNAL CHECK**

internal audit is a part of internal control and it could be part of internal check. The relationship of internal audit to internal check is that the internal audit serve as reviewing the control (internal check and control) where there are changes in the system, it brings about changes in internal audit system.

### **2.1.6 THE IMPORTANCE OF INTERNAL AUDIT IN ANY BUSINESS ORGANIZATION**

The importance of internal audit in any business organization should be will defined and recognized in all organization whether profit oriented or not, operating with conduction of resources constraints.

As a result, various step are taken and procedures established to ensure that the use of these resources are maximized in achieving organization goal. Primary among the step taken is the setting up of a structure within which an orderly operation taken place. The organizational after showing in the chart species the level of authority apart from the problem of scarce resources, organization and run risk of fraud and errors.

Jack 1 Robertson (2006) in his book titled "Auditing" defined internal auditing steps taken to maximize scare resource and minimize risk of fraud end error by way of establishing internal auditing. This measure is adopted by the management to maximize and minimize scares resource risk of fraud and error respectively which brings about introduction of inter

nal addicting.

### **2.1.8 ORGANIZATION AND MANAGEMENT STRUCTURE**

The Nigeria Immigration Service, Kwara State Command is made up of many sections, this includes administrative, audit, account, public relation, and investigation sections

***Administrative Section:*** This is the section that sees to the overall administration function of the service. It is the section where the function and duties of other section are being controlled and monitored to ensure that all the other section function and duties conform to the overall objectives of the service.

***Audit Section:*** This is one of the major sections in the service whose function determines the overall efficiency of the service as a whole the audit function affects the whole function of the services. Those proper records are kept for financial activities generating activities of the service. It is the section that ensures all expenditures and revenue functions of the services are efficient and conform to the laid down rules and regulations.

***Account Section:*** This is the section that ensures that proper records are kept for financial activities being carried out by the services. It also ensures that all funds collected by other section in the service are spent for the purpose which they are collected for it also controls the revenue generating activity of the service.

***Public relation section:*** This is the section that deals with the record of the officers in the services. Monitor the overall process of transfer of servi