

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

**(A CASE STUDY OF NIGERIA IMMIGRATION SERVICES
KWARA STATE COMMAND)**

BY

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CERTIFICATION

This is to certify that this research work conducted by OLUWATOBI MICHEAL ADEBAMOWO with matric number HND/23/ACC/FT/076 has been read and approved as meeting the requirements 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 me 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 it 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 mattes 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 order not properly done.

1.3 RESEARCH QUESTIONS

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

H₁: There is no remedy to problems fraud in Nigeria immigration service

H₂: Internal audit does not have impact on the performance of public sector

H₃: 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 an 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 man 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 a 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 adult of specific function in any organization such as that a vwtge preparation or sales ordering uses his.
- ❖ **Organizational audit:** This is an adult 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 adult 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 they 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 chatting 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 atheistic of transaction entered in the company is record.
- ❖ System approach: This is the examination, evaluation and testing of the company's accounting procedure so that the internal auditors can access the

degree to which the considers it safe to rely on the accuracy of information procedure on them.

In doing this, the internal auditors try to obtain sufficient reliance 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 form 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 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 steps are taken and procedures established to ensure that the use of these resources are maximized in achieving organization goal. Primary among the steps taken is the setting up of a structure within which an orderly operation takes place. The organizational chart showing in the chart specifies the level of authority apart from the problem of scarce resources, organization and runs risk of fraud and errors.

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

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 sections 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 service, process of employing or recruiting people into the immigration service.

Store Section: This section ensures adequate and safe keeping of the service properties.

Passport Section: This section in the service is responsible for the issuance of international passport, renewal and verification of passport.

With the introduction of their new electronic passport (e-passport), the section is now linked with the internet service in the headquarters in Abuja i.e the issuance centers in the federation s now connected to headquarters this is to control the hassle on the issuance of fake passport of the old version of the manual residential passport (MRP) and speed the issuance of the passport.

Aliens and Border Patrol Section: This section is responsible for the monitoring and controls of the boundaries the country they are also responsible for the monitoring of non citizens of the common wealth countries. This is done in order to ensure the safety of the country.

Here we are much concerned with the audit section than any other. The function of the internal audit section is very crucial in the overall performance

of the service, the internal audit section is directly responsible to the head of the service. The section is established to look into the whole activities of the organization so as to determine and report to the highest authorities, the effectiveness, efficiency and compliance with the stated policies procedures and plans.

Therefore, its function touches the aspect of financial accounting record and other operational activities in the internal audit section. There are four members of staff namely: principally internal auditor (PIA), assistant executive officer, audit assistance and messenger. The section is handled by the principal intend auditor.

Also, all the audit section function performed by the internal audit staffs taken to the head controller) through the principal auditors, this functions includes: a. Preparation of periodic report on management activities.

Preparation of audit report relevant for management.

Auditing of store records.

Audit of salary payment voucher.

Audit record of service before recommendation for retirement benefit is paid.

Preparation of periodic report on management activities, the internal audit section is responsible for the preparation of periodic report on the activities of the management. Including revenue and expenditure authorization and regulation of the government. Also, the revenue generated and records of such revenue presented to the government will be properly monitored by the internal audit section. Periodic report is prepared on other management activities like expenditure incurred on purchase of stationeries etc verification

of information brought to the service particularly interim and management account.

The internal audit of the service is also concerned with the verification of the information in the interim account and management account of the other government parastatals in the state, recommendations shall be made to the management on any area in the accounting system of any of the Government parastatals.

Audit of payment vouchers: It is the responsibility of the internal audit section of the service to audit the payment voucher for salaries and allowances of officers in service.

Audit of income and expenditure account of the government, the internal audit section of the service also ensure that income generated are dully accounted for and expenditure made is dully authorized.

Checking of records service before recommendation for payments of retired benefit. The records of the each member of the work force in the service is checked by the fund, fraud or embezzlement as being counted against any worker before the payment of the retirement benefit.

According to A.A Sambo (2005), in his book titled "auditing" the internal control system is the whole control system that ensures a structural framework that exist for the efficient challenging ofscarce resources.

It is also the control system that ensures the policies decided upon and adopted by the management are consistency followed by those responsible for implementing them. Internal control also ensures that expensive asses on which operation critically depends are properly secured and safeguarded to prevent misuse or misappropriate.

Internal control system ensures that important documentations which provides that information on which significant and strategies decision are made or provided are completed, it is also ensures the provision of accurate and timely records of relevant events to the management.

Internal control system in the services include organization control, these are the controls, rules, regulation and procedures which specify the organization plans defined roles and allocate responsibilities to all the section. It ensures the task performed at each section in the service rules, procedures and regulations.

Segregation of duties: These are control which ensure that the main functions of the organization, authorization, custody and recording are carried out by separate individuals or group of people. This is done to facilitate the efficiency of the overall performances of the service over concentratio of work in one section or the other in the service.

Physical control: These are the procedure and measure set-up to secure properly custody over valuables corporate assets. They prevent unauthorized access to assets. They also ensure that the corporate asset of the services is put into proper condition before and after use. These are also carried out to any type hat could be done to such assets.

Authorization and approved control: These are controls which are predominant in the recording unction that ensures that all transaction occurring during the period have been authorized and that they and have correctly and accurately recorded processed

Personel control: These are controls which provide a frame work for ensuring an efficient selection and training procedures for staffs.

Supervision control: these are controls that specify the official responsibilities for overseeing the day to day activities of the service.

Management control: These are controls that are been executed by top management on periodic basis as against a daily basis considerably, they include the periodic review of management account and comprises therefore with budget and recording.

2.1.8 SPECIFIC DIVISION OF INTERNAL CHECK

1. Control design to ensure proper segregation of function duties such as those of authorization, execution, custody and recording.
2. Supervising control: are controls over day to day activities of the organization which ensure that the frame work of less experienced staffs are reviewed and controlled by independent more senior and more experienced staff.
3. Control which ensures that the work of sales ledger clerk is proved independently but the sales ledger control clerk in the course of his normal work balance should reconcile.

Jack L. Robertson (2006) in his book titles "Auditing defined internal auditing as a step taken to minimize risk of fraud and errors by the way to minimize scarce resources and risk of fraud and error respectively which brings about the introduction of internal audit. The analysis of internal audit in public enterprises includes:

Review of accounting system and related internal controls.

- ❖ Examination of financial and operating records.
- ❖ Testing of transactions and balances.

❖ Review of effectiveness and efficiency of operation and functioning of non-financial status corporate policies, plans procedures and investigation.

All public enterprise whether profit oriented or not, operating with the condition of resources constraints. As a result of these, various steps are taken and procedures established to ensure that the use of these resources is maximized in achieving organizational goals, primary among the steps taken is the setting up of a structure within which an orderly operation can take place. Apart from the problem of scarce resources, organization public enterprises run all risk of fraud and errors.

2.2 THEORETICAL FRAMEWORK

2.2.1 AGENCY THEORY

Agency relationship could be defined as a contract among the organization owners and its top management managers work with the organization as agents to perform some service on behalf of owners who delegate some decision making authorities to managers. The authorities could be misused by managers to meet their own personal interests.

Therefore, the existence of audit committees, the external and internal auditors will help the Banking industry in enhancing their performance and also will ensure that the management carries out its plans and procedures (Adam, 1994). Peurseem and Pumpherey (2005) considers internal auditing as agents and monitors for a variety of the internal auditing users that include the board, Audit Committee and senior management. Agency problems could occur when the board or its audit committee is inefficient and hence, the senior management is likely to be a powerful influence over the internal auditing.

This complex web creates an internal dilemma for the internal auditing. Internal auditors are often employed by senior management but at the same time, they are also agents of the board and audit committee who trust in the internal auditors ability to evaluate senior management works. Internal auditors as agents must perform auditing process at the professional level requiring education and professional certifications, experience and other competencies needed to perform their responsibility perfectly

The internal auditing department works are achieved under the supervision of the chief audit executive who is the main responsible individual for putting the internal auditing plan, reporting internal auditing findings and following up internal auditing recommendations. The organization members are required to evaluate the internal control system (SOX Section 404, 2002) and in order to achieve this requirement, they depend on the internal auditing department.

During this evaluation, internal auditors collect sufficient and reliable evidences that will support their organization members on the works performed by the internal auditing, hence, internal auditing departments performances is a crucial requirements for organization members to consider internal auditors as agents.

Internal auditors as agents or organization members need their support. The existence of an effective audit committee in the organization enhances internal auditing independence and also reduces senior management interference either in internal auditing scope or its performance

2.2.2 LINKING THEOR

Research in internal auditing has traditionally been conducted under the framework of agency theory (Pilcher et al, 2011). However, Mihret et al (2010) argues that the neo classical economic theories including agency theory were the main reason for limited research in internal auditing. They criticized the assumption that organization phenomena are only driven by maximizing the self interest of individual and they confirmed that the behavior of individual cannot be abstracted from the social settings. Thus, they suggested institutional theory

The use of more than theory in combination enables considering social and behavioural aspects and the economic dimensions. Several previous studies have adopted both agency and institutional theories (Yamak and Surer 2005), Christopher et al 2009, Yaqi et al 2012.

In this study, while agency theory is mainly employed to understand economic activities or motives that make internal auditor seek in achieving their personal interests eve if they were against the organization members' interest or organizational interests. Institutional theory informs about the level of compliance with ISPPIA and its impact on the companies support of internal auditing.

Moreover, communication theory is used to explain the importance of effective communication between internal auditors and auditees.

2.2.3 INSTITUTIONAL THEORY

Institutional theory explains how organization structures and practices are shaped through changes included by normative pressures including both internal and external sources such as laws and regulations, or by the profession

(Zucker 1987,Mihret et al 2010). Similarly, Arena and Azzone (2007) identifies the following external forces that impact both individuals and organizations.

1. Laws and regulations (coercive isomorphism)
2. Choices of other organizations (mimetic isomorphism) and
3. Consultation or professional bodies (normative isomorphism)

Several previous studies in internal auditing have adopted an institutional theory (Al-Twaijry et al 2003), Arena and Azzone 2006, Arena and Azzone 2007, Mihret et al 2010), Al-Twaijry et al 2003 adopted Isomorphic perspective to investigate internal auditing in Saudi Arabia and the institutional theory is employed to explain their findings regarding the establishments of internal auditing and the role of the government in promoting their development.

Similarly, Arena and Azzone 2006 focuses on the coercive isomorphism to investigate the development of internal auditing in six Italian companies as a multipl case study. Their findings confirmed that the adoption and development of internal auditing were impacted by the coercive mimetic and normative pressures.

More recently, a study by Arena and Azzone (2007), based on survey involving 364 Italian companies found that the isomorphic pressures have a significant impact on the companies of support of internal auditing. The researchers suggest a need for future research to address the internal auditing effectiveness by using institutional theory. Mihret et al (2010) argues that there is a positive relationship between compliance with ISPPIA and organizational

goal achievement and this relationship could evaluate internal auditing effectiveness.

Based on the above discussion, it can be clearly stated that, the institutional theory is a valid theory for internal auditing effectiveness in both developed and developing countries and it is a useful theory, which can explain the relationship between some variables of the study and it is relevant to be embedded in the development of this research conceptual framework.

2.2.4 COMMUNICATION THEORY

In accordance with the needs of Institute of Internal Auditing as the professional body that takes care of internal auditing several studies such as by Davidson (1991), Uinn and Hargie (2004) and Golen (2008) confirm the importance of and the need for effective communication skills in an organization's functions. Studies done by Lewis and Graham (1988) and Smith (2005) suggest some ways to improve these communication skills.

Previous studies by Hahn (2008) and Golen (2008) discuss communication barriers and how they can be overcome. At the same time, several previous studies have dedicated their work to communication in organizations. These studies evidenced that effective communication and interpersonal relationships between managers and staff have a strong contribution to improve profitability and productivity and it leads to higher quality of services and products and reduction in costs (Clampitt and Downs 1993) according to both Institute of Internal Auditing standard and previous studies, the study of effective communication in internal auditing is necessary and hence this study should consider the communication theory for its achievement.

Davidson (1991) confirms that all auditors can benefit from knowledge of current communication concepts and even those who believe they are good communicators need to work consciously on assessing, improving and applying their skills. Davidson communication theory is based on three basic truths about communication. These are:

1. It is impossible not to communicate
2. Communication is a multi level phenomenon and
3. Message sent does not always equal message received.

Lewis and Graham (1988) mentioned that communication as a word comes from the Latin word “communicare” which means to take common. Thus, to communicate is the process of creating a common meaning with someone or some group. In other words, one person can talk but it takes at least two people to communicate. Guo (2009), defines communication as transfer of meaning or mutual understanding among at least two individuals to share information about a subject or issue and arrive at an agreed upon meaning. This confirms the first two points in Davidson Communication Theory.

Inability to communicate effectively could be related to inappropriate information or communication complexity. Hahn (2008) confirms that much information is as bad as little information because it reduces the receivers ability to concentrate effectively on the most significant messages. In such an environment, internal auditing users may have new concerns about their trust for internal audits performance. Thus effective communication becomes necessary as a solution to this problem. To overcome such communication problem, Hahn (2008) recommends parties of the communication process to focus and offer only the necessary information by easy ways provide meaning

to the information rather than just pass on the message and keep the information clear and simple to understand and finally ask for feedback.

The existence of effective communication between internal auditors themselves, internal auditors and auditees, internal auditors and organization members without any doubt, is needed to strengthen the internal auditing effectiveness as been pointed out earlier, agency theory can explain and cover the importance of having an effective communication in this study extends to include the relationship between internal auditors and internal auditees, which can be explained under the communication theory. In this study, effective communication is one of the main factors which could contribute to the weakness of this relationship such as, accusatory style from internal auditors or just looking for the auditees weakness. Such environment leads to lack of trust among internal auditors and auditees and create of the main communication barriers which is a lack of trust among sender(s) and receiver(s) in communication process (Hahn, 2008), thus, to prevent such threats, it is necessary to improve auditees collaboration with internal auditors.

2.3 EMPIRICAL REVIEW

This study has an incentive to estimate the internal auditing as an effective aid to internal control system in Banking Industry. Ussahawanitchakit and Intakhan (2011) conducted a research on internal auditing as an aid to effective internal control system in Banking Industry and concluded that the study reveals that both internal auditing and internal control system have a good positive impact on the effectiveness of Banking Industry.

Unegbu and Kida (2003) tested on the effectiveness of internal auditing in Banking Industry and the study concludes that internal auditing can

effectively check fraud and fraudulent activities in Banking Industry having significant numbers of internal auditing department to function effectively.

Badara and Saidin (2013) tested on the effectiveness of internal control system and internal auditing and stated that the paper concluded should be validated empirically.

Mihret et al (2010) tested on the internal auditing effectiveness in Banking Industry and shows that propositions and a research agenda are provided on potential antecedents of internal auditing effectiveness and its possible association with Banking Industry.

Enofe, Mgbame, Aderin, and Ehi-Oshio (2013) analyzed the determinants of audit quality in Nigerian business environment. The determinants studied include engagement and firm related characteristics such as audit tenure, audit firm size, board independence and ownership structure. A Likert scale questionnaire was developed and used to collect data from a sample of 100 respondents from the South-South geopolitical zone of Nigeria. A multiple regression model developed was analysed using the OLS regression technique. From the results, audit firm size, board independence and ownership structure were found to be positively related to audit quality; however, only board independence exhibited a significant relationship with audit quality. Audit tenure exhibited a negative relationship with audit quality which was also not significant.

Choi, Kim, and Zang (2010) employed a multiple regression technique to examine whether and how audit quality proxied by the magnitude of absolute discretionary accruals is associated with abnormal audit fees, that is, the difference between actual audit fee and the expected, normal level of audit

fee. The results of various regressions reveal that the association between the two is asymmetric, depending on the sign of the abnormal audit fee. For observations with negative abnormal audit fees, there is no significant association between audit quality and abnormal audit fee. In contrast, abnormal audit fees are negatively associated with audit quality for observations with positive abnormal audit fees. Following the nature of Indonesia where there is high audit market competition and strong client bargaining power resulting from regulation on mandatory audit firm rotation,

Fitriany and Anggraita (2016) investigated the economic bonding between auditor and client by examining the association between abnormal audit fee and audit quality. The study employed the natural log of actual fees paid to auditors for their financial statement audits as dependent variable while the independent variables included total assets (firm size), number of business segments, number of geographic segments, inventory and receivables, number of employees, firm report a loss, leverage, return on assets, firm liquidity, the use of the Big4 auditors, tenure, book-to-market ratio, and sales change. The multiple regression model showed that a positive abnormal audit fees are negatively associated with audit quality and imply that the audit fee premium is a significant indicator of compromised auditor independence due to economic auditor–client bonding. Audit fee discounts could also increase audit quality, maybe due to the mandatory audit firm rotation and high audit market competition in Indonesia, so that the auditor must keep their independency and high audit quality to maintain good reputation.

Krauß, Quosigk, and Zülch (2014) examined the presence and magnitude of initial audit engagement fee cutting and its potential effect on

audit quality in Germany using a sample of 992 firm- year observations from 2005 to 2011. The results show a systematic fee cutting for initial audit engagement years in Germany. However, despite significant audit fee differences between initial and subsequent audit engagement years, there was no differences in audit quality.

Ilaboya and Ohiokha (2014) examined the impact of audit firms' characteristics on audit quality. The study proxied audit quality using the usual dichotomous variable of 1 if big 4 audit firm and 0 if otherwise. A sample of 18 food and beverage companies listed on the Nigerian Stock Exchange market within 2007-2012 was used for the study. A multivariate regression technique with emphasis on Logit and Probit method was used to estimate the model for the study. The findings indicate that there is a positive relationship between firm size, board independence and audit quality whereas there is a negative relationship between auditor's independence, audit firm size, audit tenure and audit quality.

Oladipupo and Monye-Emina (2016) examined the effect of abnormal audit fees on audit quality in audit market in Nigeria. The study thus employed audit quality as dependent variables while the explanatory variables were audit tenure, board independence, audit committee activeness, firm size and leverage. Using a probit binary regression technique on 350 firm observations data obtained from companies quoted on the Nigeria Stock Exchange, it was observed that both positive and negative abnormal audit fees had insignificant positive impacts on audit quality. This shows that abnormal audit fee does not matter to audit quality. Contrary to expectation, board independence and firm size had negative impacts on audit quality. However, only the impact of board

independence was statistically significant. Of the auditor tenure, audit committee activeness and leverage that have positive impacts on audit quality, only the leverage had significant impact on audit quality.

Onaolapo, Ajulo and Onifade (2017) examined the effect of audit fees on audit quality in Nigeria using a sample of listed cement companies on the floor of the Nigerian Stock Exchange. The explanatory variables were audit fee, audit tenure, client size, leverage ratio while audit quality as the dependent variable. Ordinary Least Square Model estimation technique was used for the data analyses. Secondary data derived from the published annual reports of the selected companies for a six-year period (2010-2015) was used for the study. Findings from the study show that audit fee, audit tenure, client size and leverage ratio exhibit a joint significant relationship with audit quality. Further results show that audit fee in particular has a significant positive impact on audit quality.

CHAPTER THREE

METHODOLOGY

3.1 DESIGN OF STUDY

The Nigeria immigration service (NIS) has witnessed series of changes since it was extracted from the Nigeria police force (NPF). In 1958, the immigration departments, as it was known then, was entrusted with the core immigration ordinance of 1958 for its operation. At inception, the department had a narrow operational scope and maintained a low profile and simple

approach in attaining the desired goals and objectives of the government. During this period, only the visa and sections was setup.

On august 1st 1963, immigration department came of age when it was formally established by an act of parliament (cap 171 laws of the federation Nigeria). The head of the department then was in the director of immigration, thus, the first set of immigration officers were former NPF federal ministry of internal affairs (FMIA) as a civil service outfit.

Since then, the service has come better positional for the implementation of modern migration management. The structure has been changed to accommodate added responsibility as well as emerging regional and sub-regional alignments, and then implication was the introduction of ECOWAS and African affairs/bilateral division.

3.2 RESEARCH DESIGN

A detailed explanation of the research methodology constitutes in chapter 3 of this project work. However, a highlight of the research methodology is given here to complete the introductory over view of the report in this chapter, furthermore, the process includes:

Population and sampling sizes to test the effectiveness of existing audit unit in the Nigeria public enterprises. Particularly to test independence adequacy and quality of Administrative Section, Audit Section, Account Section, Public Section, Store Section, Passport Section, Alien and Border Patrol Section

Administration of the internal auditor will be interviewed and through the medium of questionnaire.

Analysis and synthesis of the data and information gotten.

3.3 SOURCE OF DATA

The most widely used method of collecting data and information are through the following sources:

- Primary method of data collection.
- Secondary method of data collection

Primary method of data collection: This involves personal interview with different categories of the staff who are working within an organization about the topic of the project. The interview is structured in few cases with largely predetermined question. Each of the interviews was largely in structure being dedicated by the response of the interview. However, it is one through administering the oral interviews to do different categories of study within the determined sample and the interview design provides information to answer the necessary question and response.

Secondary method of data collection: This involves the information obtained from textbooks, newspapers, journals, seminars etc. the secondary source of data that are collected outside the case study.

3.4 POPULATION OF THE STUDY

Population can be defined as a total number of people occupying certain geographical location of a period of time, while sampling involves the small part of fraction of a population that is subjective to details and extensive analysis.

In this research work, the population involves the entire department in Nigeria Immigration Services, Kwara State Command. The Nigeria Immigration Service, Kwara State Command is broadly divided into seven (7) section namely:

Administrative Section, Audit Section, Account Section, Public Section, Store Section, Passport Section, Alien and Border Patrol Section

3.5 SAMPLING SIZE AND SAMPLING TECHNIQUE

A sample is a set of items or individuals selected from a larger aggregate or population of which we wish to study.

The procedure for drawing samples from a population is however called or known as sampling. Subset as been chosen. This is made up of distressed and liquidated banks whose deposits has been paid-off.

However, the method of sampling that has been used here is called random sampling. Random sampling is a method that gives every sample member a chance of appearing on the selection.

3.6 RESEARCH INSTRUMENT

The following data collecting methods were used in this research.

- a. Interview
- b. Questionnaire
- c. Primary data
- d. Secondary data

AN INTERVIEW: - Is appraisal technique involving at least two people who are involved in one on one oral discussion. The two parties involved are the interviewee and interviewer.

QUESTIONNAIRE: - This is a technique of collecting data by circulating question that respondents answer and from which conclusions can be drawn.

PRIMARY DATA: - These are the one got from personal interview and structure question.

SECONDARY DATA: - Are collected from textbooks, Journal and magazines and other published materials. Meanwhile, the data method collection which is employed in the research are both primary data and secondary data collection method different question are posed in different manner to secure the information. No standard form acts of questions were designed.

3.7 METHOD OF DATA ANALYSIS

Quantitative and descriptive method of analysis was employed. Three differed analytical tool were used in he study and this is chi-square test student distribution and the test of different two mean proportion.

Chi - Square test

Chi - Square test reads

X^2 - The greek letter representing chi-square

Σ - Symbol meaning the sum of

F_o = observed frequency

F_e = rejected frequency

N = the total number of cells involved in calculating confidence level.

V = the total number of cells involved in calculating confidence level.

It's the compliment of the level of confidence significance level reflects the possibility of committing a type terms 99% and 95% have respected been chosen on our level confidence in each cases.

This is obtained by subtracting from them the population mean the production of the population of the standard error and the calculated table value (students distribution). While the table value as obtained with the combination

of degree of freedom and significant level (chi-sig-level) the standard error is given by the formula.

$$O_x = \frac{0}{N_x/N-n}$$

Where:

N = population size N = sample size 0 = standard deviation Confidence level:

To the researchers is highly confidence that the internal estimates will conclude the population parameter 99 confidence levels has been chosen.

The text for difference between two mean, the sum of the product of the evaluated table value and standard error together with the differences between the two means is given by L: oxi:

Where n1 and n2 = sample size of mean, 1 and 2 respectively 0 x1 = estimated standard error of sample means 1

0x2 = estimated standard error of sample means 2

0 x 1 – 0 x2 = different between the two above

Sp = pooled estimated (i.e as the population variance will be assumed to be equal, the common variance is known as (sp).

The polled estimated (sp) is given by the formula $sp^2 = \frac{(n_1-1)s_1^2 + (n_2-1)s_2^2}{n_1 + n_2 - 2}$ where s1 and s2 are representing standard deviation of sample and n1 + n2 - 2 is the degree of freedom.

3.8 MODEL OF SPECIFICATION

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.

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.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

All data collected for this project were properly presented and analyzed in line with the aim and objective earlier stated in chapter one.

The data used in the presentation of analysis and interpretation of this study were collected through interview as well as questions designed and administered. These research and secondary sources of data.

Information gathered presented in a tabular form and briefly discussed and interpreted accordingly to the purpose of academic convenience percentages are given as computed. The responses are hereby analyzed and interpreted as follows:

4.2 DEMOGRAPHIC CHARACTERISTICS OF RESPONDENT

Table 4.1.1

What are the type of internal system adopted in your organization

Responses	Respondents	Percentage (%)
Intermit	40	100
Final audit	-	-
Continues audit	-	-
Total	40	100

Source: Nigeria immigration service, kwara state command 2022.

From the above table, 40 respondents which represent 100% all agree that interim audit is being adopted in their organization (i.e interim audit is the best among the other. Option is the best among the other options of other organization).

Table 4.1.2

How effective is the type of internal audit system adopted by your organization.

Responses	Respondents	Percentage (%)
50	-	-
70	10	25
95	30	75
Total	40	100

Source: Nigeria immigration service, Kwara State Command 2022.

From the above table, 10 respondent with 25% agreed that the types of internal audit system adopted by the organization is 70% effective while 50 of the respondent with 75% agreed that the type of internal audit system adopted by the organization is 95% effective which can be obviously seen that the option with the highest figure (i.e 95%) shows that the internal audit system is well effective to the organization.

Table 4.1.3

How reliable and effective is your internal auditor department to the external auditors.

Responses	Respondents	Percentage (%)
40	-	-
60	15	37.5
80	25	62.5
Total	40	100

Source: Nigeria immigration service, kwara state command 2022.

From the above table, there was no respondents who agree with 40% reliance and effectiveness of internal audit department to external auditors, while there respondents who agreed with 60% reliance and effectiveness of internal audit department to external auditors with 37.5% and 25 respondents agreed to reliance and effectiveness of internal audit department to external auditors with 62.5%. this denoted that internal audit department of Nigeria immigration service is of great impact to the external auditors (i.e the report is reliable).

Table 4.1.4

Percentage has the internal departments reduces fraud and mismanagement in your organization.

Responses	Respondents	Percentage (%)
50	2	5
60	7	17.5
80	31	77.7

Source: Nigeria immigration service, kwara state command 2022.

From the above table, 2 respondent with 5% agreed that internal audit department reduces fraud and mismanagement at the rate of 50% while 7 respondents respond with 17.5% agreed that internal audit department reduces fraud and mismanagement at the rate of 60% and 31 respondents with 77.5% agreed that internal audit department reduces fraud and mismanagement at the rate of 80%.

This is obviously glaring with the highest percentage among other options that internal audit department has been helping the area of reducing mismanagement.

Table 4.1.5.

What do you think are the problems fraud in Nigeria immigration service?

Responses	Respondents	Percentage (%)
Properly internal system	26	65
Properly external checks	9	22.5
Change of control checks	5	12.5
Total	40	100

Source: Nigeria immigration service, kwara state command 2022.

As a remedy to the problems of fraud in Nigeria immigration service, 65% of the respondents were of the opinion that Nigeria immigration service established internal control system 22.5% agreed to proper change of the control checks.

4.3 STATISTICAL RESULT

NULL HYPOTHESIS

Null hypothesis (Ho): This hypothesis shows that the remedies to the problem fraud in Nigeria has negative implication on the immigration service?

.,;INTERPRETATION

Since the percentage show a positive response on the table, these imply that the significant of null hypothesis Ho is accepted while Ho has a negative effectiveness and implication on remedies to problems fraud in Nigeria immigration service.

ALTERNATIVE HYPOTHESIS

Alternatively hypothesis (H_i):- This hypothesis shows that the remedies to the problem fraud in Nigeria have positive implication on the immigration service?

Statement of research questions	Responses %	Total Responses	Interpretations positive/Negative %
properly internal system	40%	40%	0.40%
Properly external check	50%	50%	0.50%
Change of control check	10%	10%	0.10%
Total	100%	100%	100%

Sources, Survey 2021

INTERPRETATIONS

Since the percentage shows a negative responses on the table these implies that the significant of alternative hypothesis H_i is rejected while the null hypothesis H₀ is accepted. Thus the response is no with 50%. It means that the alternative hypothesis H_i has a positive effectiveness and implication in the remedies to problems fraud in Nigeria immigration service.

4.4 HYPOTHESIS TESTING

What is hypothesis? Hypothesis is a statement about population parameters value which may or not be true hypothesis is more testable by statistical means. It is formulated from research objective. Research objective describes what is aimed to be achieved by the enquiry.

True or false statistical hypothesis is never know with certainly unless you examine the entire population which may not possible and instead take a

random sample and used the information to decided whether the hypothesis is likely to be true or false.

At this point, however the kind of hypothesis to be tested in the project is not of statistical data but rather a statement about the case study i.e. when then the financial control have any implication on the economic growth. The response to the test of hypothesis can be critically analyzed and interpreted as follows:

RESEARCH HYPOTHESIS

Null hypothesis (Ho): This hypothesis show that there is no remedy for the problem of fraud in Nigeria immigration service.

ALTERNATIVE HYPOTHESIS

Alternative hypothesis (Hi): This hypothesis show that there is remedy to the problem of fraud in Nigeria immigration service..

4.5SUMMARY OF FINDINGS

This study is concerned mainly with the method adopted in internal audit and how it affects Nigeria immigration service. In the cause of this project, you can be deducted that interim audit system is already integrated into the internal control system of Nigeria immigration service. The management chose interim audit because it is mostly considered appropriate for periodic check of their performance and it is easy to set another target from another quarter in the year because their check is based on Quarter (i.e. 3 months basis).

It has also deduced from table 4.1.5 that internal control system has been of great help to the Nigeria immigration service. It is of sure remedy to the problem of frauds in the service and this distraction act as been successful reduced barest minimum.

It was also received that the existence of invest audit department has been stress free to the check of account, control system in use and the standard set by the regulatory body has already been checked by the internal auditors which really brig stress free to the external auditors and makes the information in their financial statement more reliable and useful to any of its users.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

Internal audit section plays a very vital role in the overall activities of any public enterprises, government would have found it difficult to ascertain the efficiency and standard of other sections in any public enterprises without the operation of the internal audit department.

Moreover, internal audit section in any enterprises is essential in the management of government resources is also for accountability in any government or public enterprises. The effect of internal audit section is felt in the other many public enterprises. It is worth mentioning that the degree of operational effectiveness and efficiency can be greatly increased in the public enterprises by having a well equipped internal audit department. I wish to affirm at the junction that effect of internal audit in any enterprises is very significant.

5.2 CONCLUSION

Internal audit section is very essential in any public enterprises. The duties cannot be over emphasized because it performs very sensitive's roles in the overall activities of any information given by their audit section so as to have an efficient and effective running of the organization.

5.3 RECOMMENDATIONS

On the basis of any findings, the following recommendations are therefore made:

All audit sections in the public enterprise should be equipped with experience staffs, also, the information given by the internal audit section of any public enterprises should be taken to consideration.

Internal audit section of Nigeria immigration services kwara state command should be equipped modern working facilities like computing fax machines etc so as to facilitate the efficiency of its operation.

Recruitment of staff must be painstakingly done and reference forms must be critically scrutinized all details, satisfactorily vetted for the right caliber of staff to be employed. This is very important as the only effectiveness check on internal fraud is integrity of the staff.

Sound and comprehensive system internal control that will minimize the chance of fraud should be established management to appraise the effectiveness of internal audit and inspection should be established too.

Staff welfare should be catered for i.e frustrated staff easily fall prey to the welfare of staff must be adequately taken care of, good remuneration promotion prospect and conducive working environments eliminates frustration.

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APPENDIX

Department of accountancy,
Kwara state polytechnic,
Ilorin,
Kwara state.

Dear sir/ma

REQUEST TO COMPLETE A QUESTIONNAIRE

This questionnaire is drawn up for research purpose and inn partial fulfillment for the award of ordinary national diploma in accountancy.

You are please requested to supply the necessary information to the best of your knowledge while I promise that any information given will be treated with strict confidence as this is purely for academic exercise.

Thanks for your corporation.

Yours faithfully,

OLUWATOBI MICHEAL ADEBAMOWO

QUESTIONNAIRE SECTION A

1.0 NAME

1.1 OFFICIAL STATUS

1.2 QUALIFICATION

1.3 DEPARTMENT SECTION B

1.4 Are the impact of internal audit department and its effect favorable in Nigeria public enterprises Yes() no ().

1.5 Do the impact of internal audit department and its effects performing boost the advancements of the country?

Yes() no().

1.6 What has been the level of internal audit department and its performance? Favorable () not favorable () partially favorable ()

1.7 Is there any extension program presently for the staff workers on their performance?

Yes () no ()

1.8 If yes what are level of impacts on the staff workers?

1.9 What had been the response of the government in attending to the performance? favorable ()

not favorable ()

1.10 Is the change of political administration having positive or negative response on the internal audit department and its effects in the performance of Nigeria public enterprises?

Yes () no ().

1.11 If yes, how?