

**INTERNAL AUDITING AS AN AID TO MANAGEMENT  
(A STUDY OF HOUSEHOLD PRODUCTS COMPANY,  
ORLU, IMO STATE)**

**BY**

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ACC/2008/499**

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**AUGUST, 2012**

**TITTLE PAGE**

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**PRESENTED TO THE DEPARTMENT OF ACCONTANCY  
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**IN PARTIAL FULFILLENT OF THE REQUIREMENTS FOR THE  
AWARD OF BARCHOLOR OF SCIENCE IN ACCONTANCY**

**AUGUST, 2012**

## **CERTIFICATION PAGE**

This is to certify that the project was carried out by: INTERNAL AUDITING AS AN AID TO MANAGEMENT (A Case Study Of Household Products Company, Orlu Imo State)

.....

NAME OF STUDENT

.....

SIGNATURE

.....

DATE

## **APPROVAL PAGE**

This project Internal Auditing as an Aid to Management (A Case Study Of Household Products Company, Orlu, Imo State)

Was approved in partial fulfillment for the award of B.Sc (Hons.) Degree in Accountancy of Caritas University, Enugu

MR JAMES UGWU. ....  
(PROJECT SUPERVISOR)

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DR. FRANK E. OVUTE .....  
(HEAD OF DEPARTMENT)

Signature

Date

EXTERNAL SUPERVISOR .....

Signature

Date

## **DEDICATION**

This work is dedicated to God Almighty the giver of all knowledge.

## **ACKNOWLEDGEMENT**

Words of mouth are not enough to express the level of my gratitude to God for his grace, mercy and for being a great providence to my life during the course of my study in school. All credit and accolades be to him alone.

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## **ABSTRACT**

This research work deals with internal audit as an aid to management. It aims at finding out the role of internal audit in management decision making in organizations. It is a survey research. Data were collected from primary and secondary sources which included using questionnaires, personal observations, text book, journal and internet. Sample of 92 were collected by random sample method. Three hypotheses were formulated and tested using Z-test statistics, while questionnaires were analyzed using simple percentages. We discovered among other things that internal audit assists management in managerial decisions. We recommended among other things that the auditors be trained in forensic accounting to enable them to be more effective in their duties.

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## **CHAPTER ONE**

### **INTROUCTION**

#### **1.1 BACKGROUND OF THE STUDY.**

At the beginning of the century, most businesses are small and sole-operated. The owners/managers are overly involved with most of the decision making. As business grows in size and complexity, professional managers take position of the owners and the operators.

Consequently, they rely heavily upon streams of accounting and statistical report which summarizes current happenings and conditions in the enterprise. The information carried by these streams of report enables management to control and direct the enterprise in order to assure management that the information received are both reliable and accurate. A system of internal audit is developed to monitor the activities of the company.

The need for maintaining the adequate efficient and effective internal audit, therefore cannot be overemphasized especially in days when Nigeria's economy still is witnessing depression and every company is making effort in ensuring that wastage, pilferage, misappropriation are checked or avoided, and to ensure that assets are being secured.

Some problems were noticed during the cause of this research; problems within the company, these problems necessitate this work. The

researcher noticed that there was ineffective co-operation between the internal audit and management, audit reports were sometimes ignored by the management. The relationship between the internal auditor and external auditor was strained making work harder for the external auditor. The lack of internal audit to prevent pilferage and fraud within the company thereby preventing an error free working condition.

## **1.2 STATEMENT OF PROBLEM**

Often, management and internal audit department function were seen as contradictory rather than complementary. Internal audit department is setup to ensure adherence to management policy but this objective cannot be achieved because of interference and undue influence by the top management.

More so, monthly or quarterly internal audit report as the case may be in an organization is expected to provide information required by management to determine how effective their policies and implementation are. It is on this realization that this study will attempt to determine how effective are those information to aid management in solving day to day problems. It signifies defects or problems; the research will examine number of them namely:

- a) There exists no relationship between the internal audit and management.
- b) Co-operation does not exist between the internal auditor and external auditor.
- c) Internal audit does not assist in detection and prevention of fraud.

### **1.3 OBJECTIVES OF THE STUDY.**

Objectives of the study include:

- To ascertain if the duties of the internal auditor assist management in taking informed decision.
- To ascertain if there exist co-operation between the internal auditor and external auditor.
- To find out if internal audit assists in the detection and prevention of fraud.

### **1.4 RESEARCH QUESTIONS.**

- i) Is there any relationship between the internal audit and management?
- ii) Does co-operation exist between the internal auditor and external auditor?
- iii) Does internal audit assist in the detection and prevention of pilferage and fraud?

## **1.5 STATEMENT OF HYPOTHESIS**

To justify the research topic, internal audit as an aid to management and to enable the researcher to draw a logical conclusion, there is need to make guesses as solutions to the topic which are subject to acceptance and rejection are based on the result of the test.

### **HYPOTHESIS ONE**

- ✓ **H0:** There is no relationship between the internal audit and management.
- ✓ **H1:** There is a relationship between the internal audit and management.

### **HYPOTHESIS TWO**

- ✓ **H0:** There is no co-operation between internal auditor and external auditor.
- ✓ **H1:** There is co-operation between internal auditor and external auditor.

### **HYPOTHESIS THREE**

- ✓ **H0:** Internal audit does not assist in the deflection and prevention of pilferage and fraud.
- ✓ **H1:** Internal audit assist in the detection and prevention of pilferage and fraud.

## **1.6 PURPOSE OF THE STUDY.**

- The purpose of the study is to determine the extent of co-operation between the internal audit and management.
- To ascertain the extent of co-operation between the internal auditor and external auditor.
- To evaluate the extent to which internal audit helps in preventing pilferage and fraud.
- To find out if internal audit is equipped enough to prevent an error proof working condition.

## **1.7 SIGNIFICANCE OF THE STUDY.**

The benefits of the study to:

### **The Internal Audit-**

- i) Internal audit within an organization is effective for efficient work of the general staff.
- ii) The internal audit in an organization will help detect, minimize or eliminate fraud in an organization.
- iii) Internal audit assist the management in the smooth running of the organization by complying with the policies, laws and regulation.
- iv) Internal audit in an organization will help to review and appraise the effectiveness, adequacy and application of accounting, financial and

other controls in order to promote effective control at the lowest possible cost.

- v) Whether an internal audit department could help to determine the reliability and integrity of financial and other data produced within the organization, thereby securing the jobs of employees.

#### **The management of the organization-**

- i) Management will experience an error free working environment maintained by internal audit.
- ii) Management will enjoy the reduction or elimination of pilferage and fraud within the organization.
- iii) The general staff will be effective and dedicated.
- iv) Management will enjoy a healthy relationship between it and internal auditors.

#### **The External Auditors-**

- i) Good internal audit by the internal auditor will save time for the external auditor.
- ii) Co-operation will lead to easier and more efficient work.
- iii) Assistance of internal auditor will lead to smooth investigation.



## **1.8 SCOPE AND LIMITATION OF THE STUDY**

This research work is to evaluate internal auditing in an organization using soap, detergent and household products company as a case study. The research work particularly focuses on the internal audit as an aid to management in the chosen company.

### **LIMITATION OF THE STUDY**

There are constraints encountered in carrying out this research work, this includes;

#### **1. TIME FACTOR**

This research work was conducted simultaneously with normal academic work within a short period of time in which some valuable information could be obtained.

#### **2. FINANCIAL DIFFICULTY**

In an effort to have a sufficient research material to be able to write extensively on the subject matter, the researcher was faced with some financial predicament considering high cost of not only education materials coupled with the high transport fare.

## **1.9 DEFINITION OF TERMS**

### **AUDITING**

It is defined as a process of carrying out an independent examination and expression of opinion on the financial statement of an enterprise by an appointed auditor in pursuance of that appointment and in compliance with any relevant Law and Regulation.

### **INTERNAL AUDIT**

MILLICHAMP 1996, defined internal audit as “An independent appraisal of an organization for the view of the internal audit control system as a service to the organization. It objectively examines, evaluates and reports on the adequacy of internal audit control as a contribution to the proper economic efficient and effective use of the resources”.

Internal audit reviews existing accounting system and related internal work. It assists in the implementation of new accounting systems. It identifies and draws attention to management weakness in control or measures which are unsaid to the organization. To investigate and eliminate pilferage and fraud, thereby ensuring the survival of the organization.

## **EXTERNAL AUDITOR**

They are independent firm or persons appointed from outside an entity to audit the accounts and activities of that entity. They are also referred to as statutory auditor whose appointment, duties and other related matter are provided by law.

## **INTERNAL AUDITOR**

He is an employee of a particular firm as related to its operation. It is in itself an internal control which reports the effectiveness of the other controls.

Its objective is to help manager in discharging their responsibilities and to evaluate compliance with cooperate procedure within the organization.

## **MANAGEMENT**

It is a body charged with the responsibility of planning, directing and controlling of all the activities within the organization. Therefore management control is the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organizations goals (Anthony and Welsch, 1974).

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## CHAPTER TWO

### REVIEW OF RELATED LITERATURE

#### 2.1 INTRODUCTION

MILLICHAMP (1996) defined internal audit as “an independent appraisal of an organization for the view of an internal audit control system as a service to the organization. It objectively examines, evaluates and reports on the adequacy of internal audit control as a contribution to the proper economic efficient and effective use of resource”.

Also NWEKE AND UMEZURIKE (1998) said: “Audit as the name implies is a review of operation and records, sometimes continuous undertaking within a business by special staff employed and directed by the management, internal auditing is carried out by independent personnel, internal auditors are employees of the firm and this independence is not always easy to achieve, however, it can assisted by:

- ✓ Having the scope to arrange its own priorities and activities
- ✓ Having unrestricted access to records, assets and personnel.
- ✓ Freedom to report to higher management and where it exists, to an audit committee.
- ✓ Internal audit personnel with an objective frame of mind.

- ✓ Internal audit personnel who have no conflict of interest or any restrictions place upon their works by management.
- ✓ Internal audit personal having no responsibility for the work or for new system. A person cannot be objected about something he/she has taken responsibilities for. On the other hand, internal auditor should be conducted on new or revised system.
- ✓ Internal audit personnel who have no non-audit work since internal audit are employees; it is difficult to ensure that they are truly independent in mind and attitude.

## **2.2 OBJECTIVES OF INTERNAL AUDIT**

According to Adeniyi (2004), it state objectives of internal audit as:

- i) Reviewing of existing accounting system and related internal work.
- ii) Assisting in the implementation of new accounting system.
- iii) Reviewing company polices in the light of changing business conditions and recommending appropriate improvement.
- iv) The assessment of the adequacy, accuracy, timeliness and relevance of management information system.
- v) Lasing with external auditor for the purpose of complexes for effort and insuring that prompt and proper action is taken on engagement data.

- vi) Identify and draw attention of management weakness in control or measures which are unsound to the organization.
- vii) To assure the management that their internal audit organization is adequately alright.
- viii) To carry-out special assignment giving by the audit committee from time to time.
- ix) To carry-out special investigation on management request.
- x) To carry-out detail test of transactions and balances.
- xi) To advice the management of various aspect of their operation such as matters involving financials.
- xii) To make a professional opinion on the true and fair view of an organization financial statement.

Specifically, the act legislated in the following auditing objective among others:

- To report whether adequate and proper book of account were kept by the directors by implications, the director becomes responsible for the establishment of adequate control in the system for preventing and depreciation of forms and error.
- To report whether such books and records were in agreement with company's profit statement and balance sheet.

- Whether this opposition to the statement gives a true and fair view of the company profit for the year and of its financial position at the end of the year.

### **2.3. CHARATERISTICS OF INTERNAL AUDIT**

For understanding the nature of the organization being audited in the terms of its operating environment, its method of operation and its account polices and systems. Sources of data include the article and memorandum of association, partnership agreement, the relevant technical manual on method and operations organizations charge and administrative manual, legislation and accounting procurement affecting the organization.

- i) Plan of organization with particular references to allocation of staff duties.
- ii) Authorization, recording and custody procedures including internal check.
- iii) Managerial supervision and renews including internal audit.

### **PLANS OF ORGANIZATIONS**

Internal control cannot be effective without adequate plans of organization. A satisfactorily intact system will normally entail;



- ✓ Separation of company operation into appropriate division and sub-division.
- ✓ Appointment of persons to assume responsibility.
- ✓ Establishment of clear line of responsibility between the boards of directors.
- ✓ Overall co-coordinating of company's activities.
- ✓ Employment of qualified and dedicated staffs.

### **AUTHORIZING, RECALLING AND CUSTODY PRECEDURE**

These three procedures are to ensure:

1. That the fund and property of the company are kept under proper custody.
2. That there is no misapplication of company fund and properties either by error or intent.
3. That expenditure and revenues are duly authorized and accounted for.

These involve suitable division of duties, establishment of proper accounting system and the institution of internal check, whereby transactions are independently checked by at least two persons.

Secondly participation by others through divisions of responsibilities in the process whereby a transaction is authorized conducted and recorded.

Also the subjection of the individual work to prompt a regular independent verification by such means reconciliation with pre-ascertained totals or direct examination (auditing the update p. 57-58)

#### **2.4. FUNCTIONS OF AN INTERNAL AUDIT**

A). MILLICHAMP(1990 (p.492-494) states that internal audit is thus carried on by independent personnel that is to say, not independent of management who appoints and controls them but independent in that they report to the board of directors or to a special internal audit committee. Some internal auditors' reports to the director of finance or the chief accountant, internal auditors may then find themselves in the position of needing to criticize the work of their immediate supervisor which is clearly unsatisfactory.

**B). AN APPRAISAL OF ACTIVITIES:** Their job is to appraise the activities of others not to perform a specific part of data processing. For example, a person who spends his time checking expenses claims he is not performing an internal audit function, but an employee who spends some time reviewing the system for checking employee expenses claims he may well be performing an internal audit function.

C). **HIS FUNCTION TO MANAGEMENT:** The management requires that;

- I. Its policies are fulfilled.

- II. The information required to manage effectively, reliably and complete the information should not only be provided by the accounting system.
- III. The organization assets are safe guarded.
- IV. The internal auditor's activities should be directed to ensure that these requirements are met.
- V. The internal auditors can be seen as the eyes of the board within the enterprise.

D). **MANAGERIAL CONTROL:** Within any enterprise other than the very smallest there will be a system of internal control, the internal auditor is concerned with measuring and continuous effectiveness of the internal control system. His role has many implications including:

- I. Being concerned with the implementation of social responsibility policies adopted by top management, an example of this is an emergency saving.
- II. Being concerned with responds of the internal control system to errors and required changes to prevent errors.
- III. Being concerned with responses of internal control system to external stimuli (reaction) the world does not standstill and the internal control system must continually change.
- IV. Acting as a consultant in internal control matters.

- V. Acting as a trained officer in internal control matters.
- VI. Scrutinizing the information given to management particularly interim account and management reports.
- VII. Taking a share off external auditor's responsibility in relation to the figures in the annual account.
- VIII. Being concerned with external regulation such as those in the environment like money laundering, financial services and related parties excreta.
- IX. Internal audit department may recommend improvement and changes in the system of operation, and in the setting up of new systems.
- X. Internal audit department may actually device and install changes and improvement to existing system and set up of new systems.
- XI. Internal audit department prepares routine reports on the company's activities either on comprehensive or on an exception basis.
- XII. Internal audit department routinely monitors the performance of the company's system e.g. by examining and testing controls such as those over bearing procedure and counts or stock counts.

## **2.5 RESPONSIBILITY OF AN INTERNAL AUDITOR TO MANAGEMENT**

Going by the internal audit definition as defined in the literature review MILLCHAMP said each internal auditor has his own responsibility owing to the management of its organization which he stated as follows;

From the historical cost concept, an internal auditor is in the position to advice the disposal of any asset found uneconomically serviceable to avoid the high cost of maintenance. Also, prudent use of the equipment, motor vehicles etc are subjected by the internal auditor to boost products in at a lower cost. The idea of some top official in the management team favoring their relations by fixing in the lucrative areas in the wrong handling of some machines with its resultant consequence of making provision for repairs of sophisticated machines whose technical expertise could not be easily reached. Disallowing the payment of some allowances which do not have corresponding documents approving such transactions.

Auditors appreciate the implication of the work they audit and this places them in a position to identify rosters and recommend a system of controlling its occurrence. Also, internal auditors seek to identify areas like deviation in the method of depreciation, provision for bad and doubtful debts. To avoid waste and fraud, the internal auditor would have to give or suggest the use weekly requisition order to be signed by the offices in charge

in the department and must be subjected to find approval of the department head. The effectiveness of the system to the degree of independence of the internal audit department to report and the extent to which such report could be recognized by the management.

The internal auditor is faced with several responsibilities in the discharge of his duties effectively to the management. The effective discharge of the internal auditors' responsibility to the management will enhance a smooth running of the internal control system. This cannot be done without the following:

1. An internal auditor should identify the objective of the organization.
2. By defining the internal audit objective.
3. By taking account of the relevant changes in the legislation and other external factor e.g. New legislation.
4. Identifying, evaluating and ranking risk to which the organization is exposed e.g. Retail cash sales.
5. Take account of changes in structures or major system in the organization e.g. changes in the computation of system.
6. By taking the account of known strength and weakness in the internal control system.
7. By taking account of management content and expectations.

8. To identify audit area by service, function and major systems.
9. Determine type of audit e.g. system (sales of stock control), verification e.g. (cash balance or vehicle) or value of money.
10. Assess staff resources required and merge with resources.
11. Take account of the plants of external audit and other review agencies e.g. the regulating agencies in financial services (banking or insurance).
12. An internal auditor should behave much like an external auditor in terms of skill, care and judgment. He should be up-to date technically and behave standard, have knowledge, honesty, probity and integrity much as external audit.

## **2.6. INTERNAL AUDIT AS AN AID OF FRAUD PREVENTION**

Fraud can be defined “the use of deception to obtain an unjust or illegal financial advantage”. The internal control auditing guidelines (number 11, AEUFA & KOLA OLUWOOKERE, 2001) describe fraud as:

- ✓ Misappropriation of fund.
- ✓ Misapplication of assess.
- ✓ Recording of transaction with substance (source documents).
- ✓ Misapplication of accounting management policies.

- ✓ Suppression and omission of the effect of transaction from records and documents. Other forms of fraud include, bribery, carryover fraud, electronic media fraud, alteration of invoice, double payment involve, false declaration, teaming and lodging, actual theft cash balance, forgery etc.

The responsibility of fraud prevention is absolutely with management and can only be achieved through:

1. Continuous operation of adequate and effective system of internal control, budgeting control, establishment of internal audit department which must be kept independent and report directly to the chief Executive of the organization.
2. The installation of an effective accounting system.
3. Ensuring that the employee understand the relevant code of conduct.
4. The appointment of an independent audit committee.
5. The establishment of an independent internal audit functions.

By definition, internal audit also serves as a form of control that must oversee other controls within the organization to ensure that all established guidelines, rules and regulations are strictly adhered to, and highlighted areas of digression resulting in penalties.



To prevent fraud, it is necessary to build controls in all the five areas of resources namely; man power, machinery and time factor. The following manuals must be installed to create balance control.

- ✓ Management guidelines
- ✓ Credit control polices.
- ✓ Inventory control
- ✓ Budgeting and budgeting control
- ✓ Internal audit
- ✓ Production manual
- ✓ Sales management

## **2.7. INTERNAL AUDIT AS AN INTERNAL PART OF INTERNAL CONTROL.**

The internal audit is a part of internal control system and at the same time compliment all the operation of the internal control systems. Thus, taking the various elements of control operation would be ineffective. To this end, it is worthwhile to define internal control itself.

According to Solomon Akanet (1998), it is the entire set of rules, regulations and procedure including the internal audit and internal checks set up by the official of any organization of the orderly, proper and efficient conduct of its operations.

Another definition by Howard (1976), the totality of the procedure and policies established the management of an organization. Based on the above definition, internal control system can be define as the whole system of controls, financial and otherwise established by management of such authorize in order to carry on the business of an enterprise in an orderly, efficient manner, ensure adherence to organizational polices, safeguard the assets and accuracy of records. {CHAMBERS: Andrew & others (1987)} in examining the internal control system of an organization, particular attention should be paid to:

- Possibilities of collision and combination of duties which could enable one person conceal irregularities.
- The operation of a system during absence.
- A possible conflict of interest in the case of the responsible official having other business internally.

#### **TYPES OF INTERNAL CONTROL**

A). **Organization:** having a plan of organization which should be define and allocate responsibility and identify lines of reporting.

B). **Segregation of duties:** not only one person should be responsible for the recording and processing of complete transaction.

- C). Physical custody of assets which involve procedures designed to limit assets to arithmetical personnel only.
- D). Arithmetical and accounting.
- E). **Authorization and Approval:** A transaction should require authorization approval appropriate person.
- F). **Personnel:** Procedures should be designed to ensure that personnel operating in system are capable and motivated to carry out the task assigned to them.
- G). **Supervision:** All actions by all level of staff should be supervised. The responsibility of supervision should be clearly laid down and communication to the person supervised.
- H). **Management:** Controls exercised by management which is outside and above the day-today routine of the system.

### **RELEVANCE OF INTERNAL CONTROL SYSTEM**

1. **MANAGEMENT VIEW POINT:** A clear understanding of which management establish and maintain internal control is provided by the fact that management control beat all the places and doing all things at the same time. But it is expected to ensure that activities are going according to plan and that at the end of the day, what ought to be achieved has been

achieved. The only way to ensure this is to be to set up a system of internal control. Basically, a good control is designed to assist management in the following area:

- ✓ To promote operational efficiency.
- ✓ To prevent and detect error and irregularities.
- ✓ To safeguard assets from waste, fraud, and inefficient use.
- ✓ To promote accuracy and liability of records.
- ✓ To encourage and measure compliance with cooperate policies.

It is from the above reason that internal controls are design to achieve the following objectives.

A). All records of transactions must be properly authorized; unauthorized transactions must be properly rejected from records.

B). All transactions must be properly valued, classified and recorded at the proper time.

C). All transactions must be complete.

2. **ADITORS VIEW POINT:** The influence of the system internal control on the work of modern auditors needs on over emphasis. The auditors approach to auditing necessitates the existence of o system of internal control

which he ascertain and evaluate in fact the study and evaluation the system of control has become a standard audit requirement.

In the system approach to audit as distinct from vouching approach, the auditor may wish to place reliance in the system with the view of reducing audit work. The logic on reliance on control is healthily equal. The financial statements are likely to be reliable in practice; therefore, the existence of a satisfactory or otherwise system of internal control would influence the event, nature and timing of the audit work. If the systems are considered satisfactory, the auditors may choose to rely them and this limits his audit test to compliance approach. This may also influence the timing of the work.

Lastly, internal control system must be viewed by management to ensure that it is capable of meeting the correct need of the organization as it has been seen that both internal control system and internal audit are interwoven and must be established by the management for the effective control.

## **2.8 CO-OPERATION BETWEEN INTERNAL AND EXTERNAL AUDIT**

- I. The two audit types ascertain that effective internal control is installed and being audited.

- II. Similar accounting standard and professional ethics guide the two systems.
- III. Similar enquiry techniques and sources of evidences on data are used.
- IV. The internal auditor's team may acquire substantive knowledge of the company, with this knowledge; he can assist the external auditor.
- V. The auditor's team may be able and co-ordinate the activities having regard to their separate responsibilities and their mutual desire to avoid implication of effort in particular.
- VI. The internal auditor can be examining the internal control system in much more detail.
- VII. The External auditors take into account the work done by the internal auditors.
- VIII. The external auditor may advice management on installation and operation of an internal audit department.
- IX. Observation of physical stock and cash count.
- X. By agreeing with the management that the audit will render direct assistance to the external auditor.

## **2.9. PROBLEMS OF INTERNAL AUDIT**

**A.** No internal audit can guarantee an error proof working condition- for instance, segregation of duties can be defeated by conclusion. Authorization

procedure can be abused directly the process of delegation and despite the qualities of staff. There is also an inevitable probability of human error from the top to the bottom scale of the chain.

**B. EXPERIENCE:** internal audit in small companies present peculiar problems that reduce the efficiency and formal internal control.

The closeness of management to the staff reduce the need for formal internal control, the relatively small size of the staff does not enable a proper segregation of duties as should be in large organizations. The closeness of the management overrides land down control and to lift certain sensitivity transaction out of the realm of records. For the above reasons, the auditor has to carry out a large number of substantive tests on the record of small companies.

## **2.10. HISTORICAL BACKGROUND**

Household Products Company was incorporated on the 8<sup>th</sup> of October, 1995 as a small indigenous soap and detergent manufacturing company. Its head office is situated in Imo state, and factory at Amuda Aluko way, Asadam Illorin Kwara state.

The company is operated, managed and directed by Nigerian who is courageous and experienced industrialist. This is apparently shown by their

indigenous technology, backward integration and the use of local raw materials in Nigeria.

The company has its own board chairman/ managing director while the affairs of the establishment are managed under the leadership of the executive director. The management team comprises a list of managers, some of who are head of various departments, including general manager. The company operates the following department: personnel/ administrative, technical production accounting, sales marketing, sulphonation, raw materials and distribution respectively. The company has contributed to the growth of Nigerian economy through industrialization despite the economic turn down turn.

The company has metamorphosed from its one detergent factory to four (4), they are: the detergent plant, soap, household products and sulphonation respectively. They had pioneer staff strength of 25 in 1991 to the present agglomerate of staff strength of over 60.

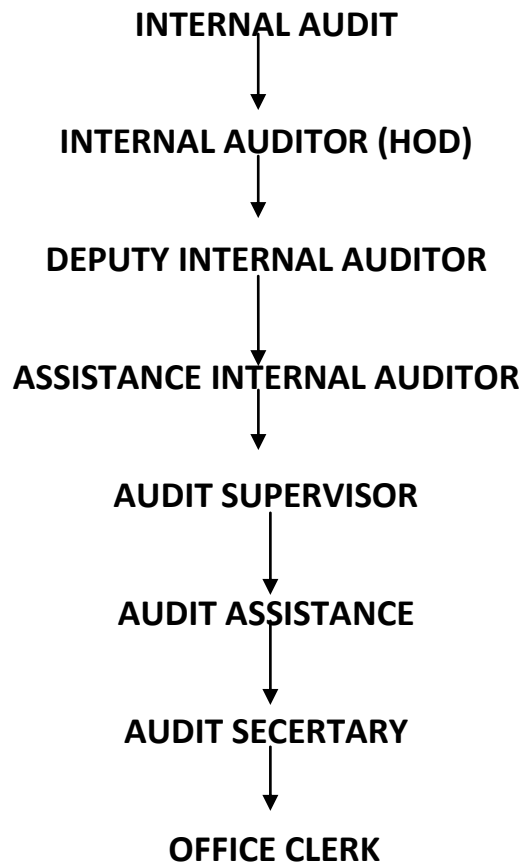
#### **THE SET UP OF THE INTERNAL AUDIT DEPARTMENT IN HOUSEHOLD PRODUCTS COMPANY**

This is the system of internal control which covers the segregation of responsibility between various departments and staff. However, the laid down procedure for carrying out duties and discharging of responsibility and



authority which flows from top management to the lower cadre is as depicted in the following diagram below:

**ORGANIZATIONAL CHART OF INTERNAL AUDIT DEPARTMENT IN HOUSEHOLD PRODUCTS COMPANY**



The above is the functional organization chart structure per soap, detergent and household products industry internal audit department, giving their present capacity. The chief internal auditor is responsible to the executive director of soap, detergent and other household products industry, the company has only one audit unit with some staffs.

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## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **INTRODUCTION**

In this chapter, the research is going to be enumerating on the way and process of approach of collecting data to arrive at an answer or solution to the existing problems as mentioned. A good knowledge of research is very important for virtually everyone in the field of carrying out a research is the ability to evaluate the result of a research to judge or not a given study has being properly carried out in such a way that one can confined in its finding an extent of its relevance to the decision factor.

#### **3.1 RESEARCH DESIGN**

Before this task can be effectively performed, some investigations were carried out, data was carefully collected analyzed. Especially, questionnaire and personal observation were used as instrument for the study; techniques were selected in the merit of each one and so combine together to satisfy the desire of the researcher. The method used could be grouped into two.

#### **3.2 DATA COLLECTION METHOD**

**3.2.1 PRIMARY DATA:** These include method of data collection in which data are directly collected from staff in a written down form, in this respect researchers uses:

**1. QUESTIONNAIRE:** The writer of this project was giving permission by the management Household products company Orlu to serve as questionnaire in the internal audit department of the company and other department of the company. The questions asked were based on the various process, procedure and auditing guidelines used in carrying out the various operations. The effectiveness and adequacy if the questionnaire express their operation and their answered the questions to the satisfaction of the researcher. To ensure relevance and truthfulness of all information, the writer makes sure that the questionnaire was served under mutual and conducive atmosphere, with no element of compulsion or under pressure of the staff.

**2. PERSONNEL OBSERVATION:** in the cause of this study, the researcher visited the company and was allowed to inspect around thus, enabling the researcher to personally observe information and get familiarize activities and recording of transaction on Household products company, most of the document were inspected such as petty cash book voucher, store requisition not store record cord, audit observation form, schedule of account, weekly product report and material utilization report.

### 3.2.1 SECONDARY DATA

The above mentioned of data collection is not as reliable as the primary data collection, but it attributes in no small measure to the perfection of the research work. The following techniques were employed under this system.

- i. **TEXT BOOK:** relevant text books written out by popular authorities in auditing and relevant field were consulted by the researcher in the cause of this study.
- ii. **JOURNAL AND NEWS PAPER:** the researcher also spent a lot of time reading some important books and articles written out by knowledgeable people particularly accountants and journals kept by school library which helped the researcher in compiling the project work.
- iii. **ACCOUNTING BOOKS AND RELATED DOCUMENTS:** some accounting documents and books of account such as stock exchange ledger cards, store bin cards, payment voucher and payroll e.t.c.

### 3.3 RESEARCH POPULATION AND SAMPLE SIZE

Out of the population of 120 staff, the researcher judgmentally selected 92 staff members, as the target population. The population is involved directly with decision making process. The targeted population of the study comprises of all staff of Soap, Detergent and House Hold products Company Imo state.

Since the population of the company (Soap, Detergent and House Hold products Company Imo state) has a staff of 120, it was not easy to obtain data for the whole population, therefore for ease in collecting and analyzing data, the researcher decided to select a sample from the population.

This population consists of staff drawn from some important departments within the company who are associated directly or indirectly within the application of accounting information on decision making process. The method used in the cause of this research work is the random sampling approach in which 92 of the staff were sampled out of the entire department.

### **3.4 DISTRIBUTION OF QUESTIONNAIRE**

Simple percentage frequency and regression co-efficient statistics were used to analyze results. The expected result from respondents which stands at 100% is the independent variable upon which the actual result varies. To determine the sample size, the population size Yaro Yamani's formula is used:

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

n =sample size

N =finite population

1 =constant

E =level of significance

$$n = \frac{120}{1 + 120(0.05)^2}$$

$$n = \frac{120}{1 + 120(0.0025)}$$

n =120/1.3

Therefore n =92

### **3.5 VALIDATION AND RELIABILITY OF THE INSTRUMENT**

The researcher mainly used the questionnaires, which were administered by simple random sampling. In an attempt to avoid and minimize the problems of bias and inconsistency in responses that were associated with the questionnaire, method used in collecting and analyzing data the researcher significantly adopted certain strategies and in-built checks and balance into the questionnaire sample and interviews to secure reliability and validity requirement on the hypothesis formulation.

The questionnaires were designed in such a way that it aroused interest on the mind of the respondent. The responses in addition to personal interviews were the constituents that served as the basis for testing the hypothesis of the study understated by the researcher.

### **3.6 METHOD OF DATA ANALYSIS**

The following formula were used

$$n /N \times 100$$

Where n =Actual number of amount obtained

N =total number or amount expected.

100 = the percentage

The statistical tools used to test the hypothesis with their formula:

$$b = \frac{\sum x_1 y_1 - n \bar{x} \bar{y}}{\sum x_1^2 - n \bar{x}^2}$$

$$\sum x_1^2 - n \bar{x}^2$$

$$a = \bar{y} - b \bar{x}$$

Where b is the slope of the line or the gradient

y = the variation of x in regression line

x = a given value

$x_1 y_1$  = the score of the respondent population

$\bar{x}, \bar{y}$  = the mean score of the respondent population

$x^2$  = the variance of score x

$y^2$  = the variance of score y

x = the number of correspondents

a = the relationship of x and y

For determining the relationship

$$Y = a + bx$$

### **3.7 DECISION CRITERION FOR VALIDATION OF HYPOTHESIS.**

In taking a decision, the null hypothesis and alternative hypothesis is accepted

if the critical or table value is greater than the compared value of b

alternatively. If the computed value of b is greater than the value of a, that is if

$b > a$  accept  $H_1$  (alternative hypothesis) where b = critical or table value and

a = calculated value.



## CHAPTER FOUR

### DATA ANALYSIS, TEST OF HYPOTHESIS AND SUMMARY OF FINDINGS

#### 4.1 INTRODUCTION

It is usual in research project to make preposition, the essence of such preposition is to shed light on the objective problems of the study under investigation. The previous chapter of this research work has addressed the various aspects of this research problem. Raw data must be noted, it has no meaning and usefulness until they are critically analyzed to generate decision. The primary aim of this chapter is the presentation and analysis of data which will come with the fact and figure relating to our research work.

#### 4.2 DATA ANALYSIS

To find answer to the first research question, some questionnaires has been passed to analyze its findings, this is shown in the table below.

#### RESPONSE TO QUESTION

**Question 1:** Do internal audit have annual audit plan

**TABLE ONE:**

RESPONDENT	YES	NO	TOTAL	PERCENTAGE YES	PERCENTAGE NO
Auditors	20	13	33	60.6	39
Managers	11	6	17	64.7	35
Accountant	15	10	25	60	40

Directors	12	5	17	70.5	29
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The above table shows that majority agree that internal audit department has up to date audit Manual.

**Question 2:** Is the annual audit plan submitted to the management?

**TABLE TWO:**

RESPONDENT	YES	NO	TOTAL	PERCENTAGE YES	PERCENTAGE NO
Auditors	20	8	28	71	28.6
Managers	15	10	25	60	40
Accountant	11	6	17	64.7	35
Directors	12	10	22	54.5	45.5

The table above shows that majority agree that annual audit plan is submitted to management.

**Question 3:** To whom do the internal audits report to in the organization?

**TABLE THREE:**

RESPONDENT	MANAGEMENT	CHIEF ACCOUNTANT	TOTAL	PERCENTAGE MGT	PERCENTAGE CHIEF ACC
Auditors	15	10	25	60	40
Managers	20	8	28	71	28.6
Accountant	11	10	21	52	47.6
Directors	12	6	18	66.7	33.3

From the above table majority agree that internal audit report to management.

**Question 4:** To what extent is internal audit report acted upon by the management?

**TABLE FOUR:**

RESPONDENT	EFFECTIVE	NOT EFFECTIVE	TOTAL	PERCENTAGE YES	PERCENTAGE NO
Auditors	13	20	33	39	60.6
Managers	6	11	17	35	64.7
Accountant	10	15	25	40	40
Directors	5	12	17	29	70.5

From the above table majority agree that internal audit report is not regarded by management.

**Question 5:** Does internal audit have a feedback on the report?

**TABLE FIVE:**

RESPONDENT	YES	NO	TOTAL	PERCENTAGE YES	PERCENTAGE NO
Auditors	10	18	28	35.7	64.3
Managers	10	25	35	28.6	71.4
Accountant	10	10	20	50	50
Directors	5	4	9	55.5	44.4

From the table above majority attest that internal audit has no feedback on the report.

**Question 6:** Does internal auditor assist the external auditor?

**TABLE SIX:**

RESPONDENT	YES	NO	TOTAL	PERCENTAGE YES	PERCENTAGE NO
Auditors	18	10	28	64.3	35.7
Managers	25	10	35	71.4	28.6
Accountant	10	10	20	50	50

Directors	4	5	9	44.4	55.5
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The table reveals that internal auditor assists the external auditor.

**Question 7:** Is there cordial relationship between the external auditor and internal auditor?

**TABLE SEVEN:**

RESPONDENT	YES	NO	TOTAL	PERCENTAGE YES	PERCENTAGE NO
Auditors	15	10	25	60	40
Managers	16	11	27	59	40.7
Accountant	25	10	35	71.4	28.6
Directors	3	2	5	60	40

The table shows that there is a cordial relationship between the internal auditor and external auditor.

**Question 8:** Does internal audit have up to date internal audit Manual?

**TABLE EIGHT:**

RESPONDENT	YES	NO	TOTAL	PERCENTAGE YES	PERCENTAGE NO
Auditors	15	10	25	60	40
Managers	16	11	27	59	40.7
Accountant	25	10	35	71.4	28.6
Directors	3	2	5	60	40

The table shows that the percentage of people who agree that internal audit has an up to date internal audit manual is high.

**Question 9:** Do internal audit share the information on internal audit manual to the external auditor?

**TABLE NINE:**

RESPONDENT	YES	NO	TOTAL	PERCENTAGE	PERCENTAGE
------------	-----	----	-------	------------	------------

				<b>YES</b>	<b>NO</b>
Auditors	23	13	36	63.8	36
Managers	13	12	25	52	48
Accountant	10	9	19	52.6	47.4
Directors	8	4	12	66.7	33.3

Majority of the respondents agree that internal audit shares information on internal audit manual with the external auditor.

**Question 10:** Does internal audit cover all areas of activities?

**TABLE TEN:**

<b>RESPONDENT</b>	<b>YES</b>	<b>NO</b>	<b>TOTAL</b>	<b>PERCENTAGE YES</b>	<b>PERCENTAGE NO</b>
Auditors	10	15	25	40	60
Managers	11	16	27	40.7	59
Accountant	10	25	35	28.6	71.4
Directors	2	3	5	40	60

The table reveals that internal audit does not cover all areas of activity.

**Question 11:** Does the presence of an internal auditor in the organization act as a check against fraud activities?

**TABLE ELEVEN:**

<b>RESPONDENT</b>	<b>YES</b>	<b>NO</b>	<b>TOTAL</b>	<b>PERCENTAGE YES</b>	<b>PERCENTAGE NO</b>
Auditors	23	13	36	63.8	36
Managers	13	12	25	52	48
Accountant	10	9	19	52.6	47.4
Directors	8	4	12	66.7	33.3

The table reveals that an internal auditor acts as a check against fraud activities.

**Question 12:** Does the employment of an external auditor help in the fight against pilferage and fraud?

**TABLE TWELVE:**

RESPONDENT	YES	NO	TOTAL	PERCENTAGE YES	PERCENTAGE NO
Auditors	10	20	30	40	60
Managers	8	15	23	34.7	65.2
Accountant	10	11	21	47.6	52.4
Directors	16	12	18	33.3	66.7

Table reveals that the involvement of an external auditor helps in the fight against pilferage and fraud.

**Question 13:** Does the establishment of an audit committee help in the prevention of fraud?

**TABLE THIRTEEN:**

RESPONDENT	YES	NO	TOTAL	PERCENTAGE YES	PERCENTAGE NO
Auditors	20	13	33	60.6	39
Managers	11	6	17	64.7	35
Accountant	15	10	25	60	40
Directors	12	5	17	70.5	29

Table shows that the creation of an audit committee helps in the prevention of fraud.

**Question 14:** Does the fear of penalties help in the check against fraud?

**TABLE FOURTEEN:**

RESPONDENT	YES	NO	TOTAL	PERCENTAGE YES	PERCENTAGE NO
Auditors	14	10	24	58.3	41.7

Managers	20	8	28	71.4	28.6
Accountant	12	10	22	54.5	45.5
Directors	12	6	18	66.7	33.3

The table above shows that the fear of penalties assists in the check against fraud.

**Question 15:** Does understanding the code of conduct help prevent fraud?

**TABLE FIFTEEN:**

RESPONDENT	YES	NO	TOTAL	PERCENTAGE YES	PERCENTAGE NO
Auditors	20	6	26	76.9	23.1
Managers	14	10	24	58.3	41.7
Accountant	12	8	20	60	40
Directors	12	10	22	54.5	45.5

The table reveals that understanding the code of conduct helps to prevent fraud.

### 4.3 TESTING OF HYPOTHESES

The hypothesis was tested using data collected from questionnaire distributed.

#### HYPOTHESIS ONE

**HO:** There is no relationship between the internal audit and management.

**HI:** There is a relationship between the internal audit and management.

Respondent	X <sub>i</sub>	Y <sub>i</sub>	X <sub>i</sub> <sup>2</sup>	X <sub>i</sub> Y <sub>i</sub>	Y <sub>i</sub> <sup>2</sup>
Accountant	13	20	169	260	400
Director	6	11	36	66	121
Managers	10	15	100	150	225
Auditor	5	12	25	60	144
<b>Total</b>	<b>34</b>	<b>58</b>	<b>659</b>	<b>536</b>	<b>890</b>

$$\bar{x} = \frac{34}{4} = 8.5$$

4

$$\bar{y} = \frac{58}{4} = 14.5$$

4

$$b = \frac{\sum X_i Y_i - n \bar{X} \bar{Y}}{\sum X_i^2 - n \bar{X}^2}$$

$$= \frac{536 - 4 (8.5 \times 14.5)}{659 - 4 (8.5)^2}$$

$$= \frac{43}{370}$$

$$= 0.116$$

370

$$b = 0.116$$

$$a = \bar{y} - b \bar{X}$$

$$a = 14.5 - 0.116 \times 8.5$$

$$a = 14.5 - 0.986$$

$$a = 13.5$$

Testing significance of b

$$S_b = \frac{\text{see}}{\sqrt{\sum X_i^2 - n \bar{X}^2}}$$



$$\begin{aligned}
\text{See} &= \sqrt{\frac{\sum Y^2 - aZ\bar{Y}_1 - b\sum X_i Y_i}{n - 2}} \\
&= \sqrt{\frac{890 - 13.5 \times 58 - 0.11 \times 536}{4 - 2}} \\
&= \sqrt{\frac{890 - 783 - 62}{2}} \\
&= \sqrt{\frac{45}{2}} \\
&= \sqrt{22.5} \\
&= 4.7
\end{aligned}$$

$$\begin{aligned}
\text{Sb} &= \frac{4.7}{\sqrt{\sum X_i^2 - n\bar{X}^2}} \\
&= \frac{4.7}{\sqrt{659 - 4(8.5)^2}} \\
&= \frac{4.7}{\sqrt{659 - 289}} \\
&= \frac{4.7}{\sqrt{370}} \\
&= \frac{4.7}{19}
\end{aligned}$$

$$\text{Sb} = 0.247$$

$$\begin{aligned}
\therefore t_{\text{test}} &= \frac{b}{\text{Sb}} = \frac{0.116}{0.247} = 0.470
\end{aligned}$$

Critical t – table at 2 degree of 5% level of significance for two tailed test is  $\pm$   
2.323

### Decision

2.920 > 0.416

Reject  $H_0$  which states that there is no relationship between internal audit and management and aspect  $H_1$  which states that there is a relationship that exist between the internal audit and management.

### HYPOTHESIS TWO

$H_0$ : There is no co-operation between internal auditor and external auditor.

$H_1$ : There is co-operation between internal auditor and external auditor.

Respondent	$X_i$	$Y_i$	$X_i^2$	$X_i Y_i$	$Y_i^2$
Auditors	10	15	100	225	150
Managers	11	16	121	256	176
Accountants	10	25	100	625	250
Director	2	3	4	6	6
<b>Total</b>	<b>33</b>	<b>59</b>	<b>325</b>	<b>1112</b>	<b>582</b>

$$\bar{X} = \frac{33}{4} = 8.3$$

$$\bar{y} = \frac{59}{4} = 15$$

$$b = \frac{\sum X_i Y_i - n \bar{X} \bar{y}}{\sum X_i^2 - n \bar{X}^2}$$

$$= \frac{1112 - 4 (8.3 \times 15)}{325 - 4 (8.3)^2}$$

$$= \frac{582 - 498}{325 - 276}$$

$$= \frac{84}{49}$$

$$49$$

$$b = 1.71$$

$$a = \bar{y} - b\bar{x}$$

$$= 15 - 1.71 \times 8.3$$

$$= 15 - 14.2$$

$$a = 0.8$$

$$S_b = \frac{\text{see}}{\sqrt{\sum x_1^2 - n\bar{x}^2}}$$

$$\text{See} = \frac{\sqrt{\sum Y_1^2 - a\sum Y_1 - b\sum X_1 Y_1}}{n - 2}$$

$$= \frac{\sqrt{1112 - 0.8 \times 59 - 1.71 \times 582}}{4 - 2}$$

$$= \frac{\sqrt{1112 - 47 - 995}}{2}$$

$$= \frac{\sqrt{1112 - 1042}}{2}$$

$$= \frac{\sqrt{70}}{2}$$

$$= \sqrt{35}$$

$$= 5.9$$

$$\begin{aligned}
 S_b &= \sqrt{\frac{\sum X_i^2 - n\bar{X}^2}{n-1}} \\
 &= \sqrt{\frac{325 - 276}{7}} \\
 &= \sqrt{\frac{49}{7}} \\
 &= \frac{5.9}{7}
 \end{aligned}$$

$$S_b = 0.843$$

$$t_{\text{test}} = \frac{\bar{b} - \mu_0}{s_b} = \frac{1.71 - 1.0}{0.843}$$

$$= \frac{0.71}{0.843}$$

$$= 2.028$$

Critical t-table at 2 degree of 5% level of significance for two tailed test is  $\pm 2.902$ .

### Decision

$$2.920 > 2.028$$

Reject  $H_0$  which states that there is no co-operation between the internal auditor and external auditor and accept  $H_1$  which states that there is co-operation between internal auditor and external auditor

### HYPOTHESIS THREE

$H_0$ : Internal audit does not assist in the detection and prevention of pilferage and fraud.

$H_1$ : Internal audit assists in the detection and prevention of pilferage and fraud.

Respondent	$X_i$	$Y_i$	$X_i^2$	$Y_i^2$	$X_i Y_i$
Accountant	10	20	100	225	200
Auditors	8	15	64	400	120
Managers	10	11	100	121	110
Director	6	12	36	144	72
<b>Total</b>	<b>34</b>	<b>58</b>	<b>300</b>	<b>890</b>	<b>502</b>

$$\bar{X} = \frac{34}{4} = 8.5$$

4

$$\bar{y} = \frac{58}{4} = 14.5$$

4

$$b = \frac{\sum X_i Y_i - n \bar{X} \bar{y}}{\sum X_i^2 - n \bar{X}^2}$$

$$\sum X_i^2 - n \bar{X}^2$$

$$= \frac{502 - 4 (8.5 \times 14.5)}{300 - 4 (8.5)^2}$$

$$300 - 4 (8.5)^2$$

$$= \frac{502 - 493}{11}$$

11

$$= \frac{9}{11}$$

11

$$b = 0.818$$

$$a = \bar{y} - b \bar{x}$$

$$= 14.5 - 0.818 \times 8.5$$

$$= 14.5 - 6.95$$

$$a = 7.5$$

$$sb = \text{see}$$

$$\sqrt{\sum X_i^2 - n\bar{x}^2}$$

$$S_{ee} = \sqrt{\frac{\sum Y_i^2 - a\sum Y_i - b\sum X_i Y_i}{n - 2}}$$

$$= \sqrt{\frac{890 - 7.5 \times 58 - 0.818 \times 502}{2}}$$

$$= \sqrt{\frac{890 - 435 - 410}{2}}$$

$$= \sqrt{\frac{890 - 845}{2}}$$

$$= \sqrt{\frac{45}{2}}$$

$$= \sqrt{22.5}$$

$$= 4.7$$

$$S_b = \frac{4.7}{300 - 4(8.5)^2}$$

$$= \frac{4.7}{300 - 289}$$

$$= \frac{4.7}{11}$$

$$= \frac{4.7}{11}$$

$$= \frac{4.7}{11}$$

$$11$$

$$S_b = 0.427$$

$$t \text{ test} = \frac{b}{S_b} = \frac{0.818}{0.427} = 1.73$$

$$S_b = 0.427$$

Critical t-table at 2 degree at 5% level of significance for two tailed test is  $\pm 2.902$ .

**Decision**

$2.902 > 1.73$

Reject  $H_0$  which states that internal audit does not assist in the detection and prevention of fraud and accept  $H_1$  which states that internal audit assists in the detection and prevention of fraud.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATION

#### 5.1 SUMMARY FINDINGS.

Based on the research carried out on the topic internal auditing as an aid to management, the researcher discovered the following from the results of the questionnaire served and the hypotheses that:

- ✓ There is a relationship between the internal audit and management.
- ✓ Internal audit has an annual audit plan.
- ✓ The annual audit plan is submitted to the management.
- ✓ Internal audit reports to the management of the organization.
- ✓ Internal audit report is not acted upon by management.
- ✓ There is no co-operation between internal auditor and the external auditor.
- ✓ Internal auditor assists the external auditor in his investigation.
- ✓ There is cordial relationship between the internal auditor and the external auditor.
- ✓ Internal audit has up to date internal audit manual.
- ✓ Internal audit shares information on internal audit manual to the external auditor.
- ✓ Internal audit assists in the detection and prevention of pilferage and fraud.



- ✓ The presence of an internal auditor acts as a check against fraud.
- ✓ The employment of an external auditor does not assist in the fight against pilferage and fraud.
- ✓ The fear of penalties helps in the check against fraud.

## **5.2 CONCLUSION**

Based on the findings of our research work the researcher concluded that internal auditing indeed serves as an aid to management for Household Products Company and all organizations generally. Although some areas are still weak, with some effort the internal audit can improve and carry out its objectives in the organization.

However, internal audit has severed as checked against fraud and other activities of the staff which is one of the objectives of the internal audit and the findings have revealed, is an aid to management not only in one but in all organizations because of its findings, objectives, the significance to organizations is general.

## **5.3 RECOMMENDATION**

From the findings and problems discovered, the researcher will like to make the following recommendations.

1. The internal audit unit of the organization should keep ethical standard by keeping up to date internal audit manual and train its internal auditors in forensic accounting.
2. Internal audit units should always draw annual audit plan which is the focus of the company as it will help them to have efficient operation.
3. The internal audit unit of the organization should always submit their audit plan to the management who will have to be pro-active and take action according to findings of the plan.
4. The researcher recommended that the management on their part should acknowledge the report submitted to the management and allocate more power to the internal audit to ensure independence.
5. The internal audit unit should endeavor to carry out their audit work to other departments which is not often visited.
6. The internal auditor of the company should be subjected to ethical standard so that external auditor will not do the work of internal auditor or the work of an accountant so that cordial relationship should be maintained and external auditor may rely on the work carried out by the internal audit of the company.

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## APPENDIX

Caritas University,  
Amorji – Nike,  
Enugu, Emene,  
Enugu State,  
30<sup>th</sup> July, 2012.

Dear respondents,

### **REQUEST FOR COMPLETION OF QUESTIONNAIRE.**

I am a final year student of the Department of Accountancy, Caritas University Enugu. I am conducting a research on “Internal Audit as an Aid to Management: A Case Study of Household Products Company Orlu Imo State”. The research is for my first degree project and it is purely academic research.

As a way of gathering data for this study, I decided to use questionnaire as one of my data collection method. I shall be grateful if you can complete the questionnaire for me.

Please, be assured of your anonymity, as the information you offer will be treated in strictest confidence.

Thanks for your co-operation.

Yours faithfully,  
Loveline Odoemenam  
ACC/2008/499

## QUESTIONNAIRE

### INSTRUCTION TO THE QUESTIONNAIRE

1. Do not write your name of any staff in the questionnaire.
2. Where “Yes or No” answer is required, tick as appropriate in the boxes provided.

### SECTION A

#### PERSONAL INFORMATION

1. What is your sex?

Male [ ]

Female [ ]

2. What is your age?

18 – 30 [ ]

30 – 40 [ ]

40 – 50 [ ]

50 and above [ ]

3. What is your educational qualification?

WASSECC / SSEEC [ ]

OND [ ]

B.SC / HND [ ]

M.BA /M.SC [ ]

OTHRES SPECIFY [ ]

4. Departments?

Admin and Personnel [ ]

Account [ ]

Technical [ ]

Security [ ]

5. Years in service?

1 – 10 [ ]

10 -20 [ ]

20 – 30 [ ]

31 and above [ ]

## SECTION B

1. Do internal audit have annual audit plan?

Yes [ ]

No [ ]

2. Is the annual audit plan submitted to the management?

Yes [ ]

No [ ]

3. To whom do the internal audits report to in the organization?

Management [ ]

Chief Accountant [ ]

4. To what extend do internal audit report acted upon by the management?

Effective [ ]

Non Effective [ ]

5. Does internal audit have a feed back on the report?

Yes [ ]

No [ ]

6. Does internal auditor assist the external auditor?  
Yes [ ]  
No [ ]
7. Is there cordial relationship between internal auditor and external auditor?  
Yes [ ]  
No [ ]
8. Do internal audit have up to date internal audit manual?  
Yes [ ]  
No [ ]
9. Do internal audit share the information on internal audit manual to the external auditor?  
Yes [ ]  
No [ ]
10. Does internal audit cover all areas of activities?  
Yes [ ]  
No [ ]
11. Does the presence of an internal auditor in the organization act as a check against fraud activities?  
Yes [ ]  
No [ ]
12. Does the employment of an external auditor help in the fight against pilferage and fraud?  
Yes [ ]  
No [ ]



13. Does the establishment of an audit committee help in the prevention of fraud?

Yes [ ]

No [ ]

14. Does the fear of penalties help in the check against fraud?

Yes [ ]

No [ ]

15. Does understanding the code of conduct help prevent fraud?

Yes [ ]

No [ ]