

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

The system of controls adopted in any economy greatly determines the development and growth of that economy. To ensure optimization in money, materials, machine, time, resources and management of men, controls are essential.

These controls are installed by many organisations including banks to check how effective and efficient they maximize their resources. One of such controls commonly used to minimize wastage and guide plan to their eventual accomplishment is "INTERNAL AUDITING".

Auditing has been in existence for many years, it was in ancient Egypt and the great mercantile establishment of the middle ages. This shows that internal auditing can neither be neglected nor under rated in our modern economy for it was borne of the complexities of modern business dominate and transactions involved. In that, other management of various large businesses, organisations and government concern recognised internal auditing as valuable machinery and achieving and objective deemed accurate at a point in time.

The term "Audit" is from a Latin word "Audire" which means "Hears". This is because the accounts of an estate domain were checked by having them called out of these who completed them to those in authority. With the growth of trade and commerce the need for more accurate methods of recording business activities arose. Auditing is a process whereby the books of account and vouchers of business entities (including charity users/trusts) are subjected to critical examinations by professionally qualified and independent account (Auditors) on such a detail will enable them from an option as to their truth and fairness. The auditing is the bridge across the credibility gap created by the separation of management from ownership.

The complexities of the art of management extends to increasing ware of business fraud, embezzlement and the cash squeeze which often cripple many companies. The management has to look inward in order to uphold the space of activities and keep abreast with the changes in their immediate and external environment, and this can only be achieved as good and effective internal control system of which internal auditing is a major section. A writer maintained that the existence of an efficient and effective system of internal control both in design and operation which is the responsibility of management with

the best to prevent fraud or at worst help to detect such fraud at the earliest opportunity.

It is a function carried out by an independent staff in audit department with the sole aim of reporting on fairness and truly of financial statement. However since the internal auditors are employee of the firm or the establishment concern, independence is not always achieved.

The comprehensive coverage of an internal audit upon several factors, a general rule is that department should of course have as much freedom as possible without interference from the management. In such circumstances; the internal auditors will have a greatly enhanced share in recommending new and concluding investigations where appropriate. The terms of reference should be defined as lack of this may lead the department and those in another.

To avert this ugly incident and ensure greater coverage during investigations, management issues guidelines to heads of divisions to always make necessary documents/records/files available to audit staff as may be demanded by them while performing their duties. A proper audit work should be able to:

- Review the accounting systems as related to internal control.
- Examine the economy or review the economy efficiency and effectiveness of operation.
- Examine financial and operating information for management
- Review the implementation of cooperate policy plans and procedures.
- Assist in implementation of new accounting system
- Providing a training ground for both financial general management personnel.

Internal audit functions can help to spot out differences in systems, so as to evolve corrective measures at the earliest opportunities. Internal auditors appraise, analyse and report upon the policies and methods employed in the bank.

The duties of internal auditors to the general performance of the whole organisation cannot qualify; maintain a good internal control system maintained by qualified chartered accountants.

1.2 STATEMENT OF THE PROBLEM

Internal control system may be insufficient based on some predicament. These may include lack of segregation and assignments of

duties of accounting staff. Also the scopes of duties of internal audit unit are so wide and their scales of operations so low as well as the shortage of qualified staff to carry out internal auditing and accounting duties.

Independence of accounting officer can easily be influenced by management which can affect the internal audit system of an organisation clearly defines as a result of two or more dishonest staff can collide to override the efficiency of the internal control system. The criticism of internal control system has been extended to the banking industry hence the study of internal audit as a tool for effective management.

1.3 OBJECTIVE OF THE STUDY

Internal audit is a tool, procedure, way to helping organisations achieve their set goals or objectives. The main objective of the study is to examine the effectiveness of internal audit in an organisation.

Other objectives of this study are as follows:

- To show how internal audit assist in management operations.
- To show how organisational hierarchy has influenced internal audit department.

- To ascertain how internal audit department is a base to achieving value for money audit.

1.4 RESEARCH QUESTIONS

1. Does internal audit actually assist in management operations?
2. Does organisational hierarchy enhance internal audit performance?
3. Can internal audit be a base to achieving value for money?

1.5 STATEMENT OF THE HYPOTHESES

In this section the hypothesis selected in chapter one is tested relevant question from the question for, and the questionnaire aroused to the test of the hypothesis.

HYPOTHESIS ONE

Ho; internal audit is not a source of help to prudent management operations.

H1; internal audit is a source of help to prudent management operations.

HYPOTHESIS TWO

Ho; the recognition accorded to the internal audit department in the organisation hierarchy do not enhanced the system of the organisational operations.

H1; the recognition accorded to the internal audit department in the organisation hierarchy do enhanced the system of the organisational operations.

HYPOTHESIS THREE

Ho; internal audit department is not a base for achieving value for money audit

H1; internal audit department is a base for achieving value for money audit

1.6 SIGNIFICANCE OF THE STUDY

Due to the ignorance of the public as to the contribution of internal audit department to efficient management makes this study essential. This is the form at which the public believe that internal audit is not necessary as it delays job, while some sees it as the only way to detect frauds and misappropriation of funds in a firm/organisation.

So this project will make clear, the merits of having a source of internal audit, which benefits and how such benefits comes.

Secondly, the inability of workers to effectively and efficiently utilize resources and lack of proper control mechanisms has led to wastage of human resources, time, and finance and material resources. This study will help management in bringing about greater efficiency and effective use of resources and the same management cost. E. Woo [1988] (FCA) if maintained that great deal of the work of an internal auditor is curled with the evaluation of systems internal checks, conservations with officials (the results of when, was later confirmed by examinations of records) and general stripling of records. This study makes more insights into the differences in current internal audit practices in the banking system and suggests useful innovation for making necessary changes in both the organisation and implementation into internal audit functions as it contains and obtains in Afri-bank plc.

Lastly, this will at most expose the benefits of this great department to companies who do not have such, so that they can establish this control department without delay.

In further research, the shareholders in any organisation/firm are the beneficiary when it comes to the role of internal auditing in the view at which frauds detected are made known to them, not only the shareholders, but the also the general public as a whole, so as to give

assurance of less risk in creating business opportunities with such firms/organisation and knowing the financial stability of such firm/organisation. Also detecting fraud helps in firms/organisations the board of trustees protect the rights of such firm/organisation at which either misappropriation of frauds in an organisation is going bankrupt.

This is of the view at which internal auditors helps organisations/firms/companies get back to achieving their goals/objectives.

1.7 SCOPE OF THE STUDY

Various measures of internal control system are considered in Mainstreet bank, but more concentrations would be made on internal audit aspect for the purpose of this study. Accounting systems and related internal control measure the position, the independence of the auditors as well as the scope of his workers is here to be studied.

1.8 LIMITATION OF THE STUDY

Certain problems and limitations are expected to face the study, such problems are lack of resources or time to study or go around other divisions of the bank.

Also, some staff may not like to reveal information which they regard as classified, deposes the facts that manager of the bank has given the manager of the bank approved.

1.9 DEFINITION OF TERMS

It is necessary that clear definitions of some technical terms and words are given to avoid any possible confusion that may arise because of their usage.

- 1) **FINANCIAL AUDITING;** it is sometimes referred to as auditing (external) or simply as auditing. The American accounting committee on basic concepts (1972) has defined it as "a systematic process of obtaining and evaluating evidence regarding asserting about economic actions and events to ascertain the degree of correspondence between those ascertained and established the degree criteria and communicating the results to interested users.

- 2) **INTERNAL AUDITING;** H. Millichamp (1979) defines it as "independent appraised activity within an organisation for the review of accounting financially and other operations as a basic of services to management. It is a managerial control, which functions by measuring and evaluating the effectiveness of other control.
- 3) **INTERNAL CONTROL;** The institute of chartered accountants for England and Wales defined it as "a whole system of control, financial and otherwise established by the management in order to carry out the business of an enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of records".
- 4) **AUDIT REPORT;** - This is a report prepared by a qualified accountant and to express the opinion that the accounts show a true and fair view and comply with statutory requirements.
- 5) **FRAUD;** The use of deception for unlawful gain or unjust advantage.
- 6) **INTERNAL CHECK;-** it is defined as the allocation of authority and work, in such a manner as to afford checks on the routine transactions of day to day work by means of works of the person

being proved independent of another, or the work of one person being complementary to that of another.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 DEFINITION OF INTERNAL AUDIT

Internal audit is an element of the internal control system set up by the management of an organisation to evaluate, examine and report on accounting and other control operation. It hastens the work of the internal auditor which consideration to the degree of thoroughness and completeness of internal audit works before relevance is placed on its internal audit may be seen as cost and of functions which does not add value to an organisational product or service. According to H. Milligram (1979), internal audit can be defined as an independent appraisal functions within an organisation for reviews of accounting and other operations as the basis for services to the management. It objectively examines, evaluate and report on the adequacy of internal control as a contribution to the proper economic, efficient and effective use of resources. According to S. Powel (1986) an effective internal audit service and in particular helps reduce overhead, identify ways to improve efficiency and maximize exposure to possible losses from inadequately safeguarded company's assets.

2.2 FUNCTIONS OF INTERNAL AUDIT

The main functions of an audit, according to S. Powel (1986), is to report upon the account statements and balance sheet prepared by a client or staff in accordance with the terms of the auditor's appointment, subsidiary objectives are;-

- Verifying and appraising the liability of accounting records and statistical data.
- Ascertaining the safety of assets of the organisation and their utility.
- Ensuring that management prescribed plans, policies and procedures are being strictly followed by all concerned.
- Making observations on performance and following them with appropriate recommendations for improvement in various sections of the organisation business.
- Review of the implementation of corporate policy plans and procedures.
- Take a share of the external auditor's responsibility in relation to the figure in the annual accounts.
- Examination of financial and operating information of management.

If we look at the definitions and functions of internal audit, we may highlight the following facts about internal audit. It is an internal function, employees of an organisation who have been specially assigned to do that job.

- 1) It a service to management and therefore derives its objectives and results from management's willingness to assign clear and reasonable responsibilities appropriate to their functions of internal auditors.
- 2) It also requires independent, to enable the internal auditor make head ways in this reviewing and appraisal function. It means that the auditors should be free and independent from the administrative and operating departments which form the bulk from the auditor's review focus for an auditor to carry out such searching examinations, the auditors must fully make him/her familiar with the system prevailing. According to Online Business Dictionary, the auditor should have knowledge of the following aspect;-
 - i)The accounting system in operation.
 - ii) The internal check system.
 - iii) The duties and responsibility (ies) of staff.
 - iv) The internal audit system if maintained.
 - v) The nature and activities of the business.

2.3 THE BASIC INTERNAL AUDIT PRINCIPLE

The principles based on internal audit are as follows;-

A) **INDEPENDENCE**;- the internal auditor should be independent of the lined functions of the organisation may not easy to achieve but the following conditions can easily assist the independence status of an internal auditor.

I) He/she should be free to arrange and pursue his duties by himself/herself.

II) He/she should not have any restrictions to the records of the enterprise.

III) He/she should be free to report to a high level of management than his/her immediate superior.

IV) He/she should be objective and specific.

V) He/she should have no conflict of interest or any restriction placed upon their work by management.

B) **APPRAISAL ACTIVITY**; that is the ability of the auditor to check the use and abuse of assets and functions in the organisations through periodical reviews.

C) **MANAGEMENT CONTROL**; these are controls outside the day to routine control system. This enables the internal auditors the use of budget and management account to control the activities.

E. Woo (1988) recommended the basic principles in which internal auditing should be founded. They are;-

i) Freedom to investigate from a financial view point any phase of organisations activities under any circumstances and at any point in time.

ii) Care in the selection of internal audit personnel is equally vital to the success of the department's works.

Freedom of executive functions in order to avoid the destruction of objectives by the creation of vested interest.

iii) A clear undertaking of the department's objectives on each assignment.

iv) An independent status.

2.4 USES OF INTERNAL AUDIT DEPARTMENT

Concepts of internal audit changes from time to time as the objectives and scope of duties are expanded as well as the standard of practice have been made more professional.

Formerly, internal auditing was organised as a policy function. Its objectives were to detect and prevent errors as well as frauds. Based on

modern concepts, certain crucial functions have been delegated to internal auditing, as it would be able to perform, but under operating conditions, it is impracticable to do.

The operations of the management in the organisation as regarded to the day to day running of affairs of control is to be aided by internal auditing. Therefore one can conclude that it is concerned with matters like personnel systems rather than financial transactions.

The need to enhance the system reliability maintaining a high profitability of preventing, detecting and initiating errors as well as other irregularity and fraud that may emanate in the financial system of an organisation prompted the introduction of internal control in the financial information system.

Uses of the department can also be looked at, from the functions of the internal control system. This system is to ascertain the effectiveness with which the organisation's assets are been accounted for and safeguarded from losses of all kinds. It is also established in the extent of which the management activities complies with the established procedures as well as viewing the appraising of the soundness, adequacy and application of accounting, financially and other operating principles aimed at achieving effective control at reasonable cost.

2.5 THE EXTERNAL AUDITORS

External auditors examine the validity and reliability of an organisation document and records whether they present a true and fair view of the state of affairs of the financial year.

The external auditor makes use of the internal audit department in many ways. The following are the reasons for this;-

- a) It is the only method inadequate as to determine whether or not an audit is possible. This is because of the control, is adequate as to present basic reliance on the data, the issue of a disclaimer on the statement.
- b) Where the control system is weak but not too weak to cause the issuance of a disclaimer, the auditor has to subject the record to a deep scrutiny or check.

Also internal auditor helps in preparing some of the audit schedules needed by the external auditors for his records, as well as verification of stock by being present at the stock taking.

Internal auditors ensure that on the introduction of new system, system development controls auditors with only examining the internal auditor's records as regarded as new system. Meanwhile, it is necessary

for the external auditor to be aware of the internal auditor's degree of independence.

2.6 EFFECTIVE AREAS OF INTERNAL AUDITORS

It is necessary to review the key areas where an internal audit department can be effective which is in reference to Treasury Board of Canada Secretariat (2009).

Company policy

Management at a distance can be aided by utilization of internal audits more traditional policing role, whilst also ensuring compliance with corporate policies and procedures. That is particularly the case where companies tend to devolve control to the subsidiary.

Regular review of different aspects of the subsidiary's operations will provide the necessary level of comfort, knowing that there is always the possibility of a visit from internal audit and also prove to be strong deterrent.

The auditor after all needs the corporation of the staff, whilst at a location and it's therefore more productive to undertake an announced visit.

2.7 VALUE FOR MONEY AUDIT

According to Online Business Dictionary, a value for money audit is an independent appraisal of the performance of management in seeking

to secure economy efficiency and effectiveness in the use of resources at the disposal.

Economy being the terms and conditions under and material resources of the appropriate quality and quantity are acquired at the lowest cost.

Efficiency being the extent to which an organisation activities, it stated objective or targets. This value of money approach can be adopted when undertaking a review of a product of company.

According to Northern Ireland Audit Office, value for money audit is seen as independent evidence based investigation which examines and reports on whether economy, effectiveness and efficiency has been achieved in the use of public funds.

2.8 COMPANY SYSTEM

Most companies are heavily depended on computer and computer systems, so is therefore essential that there are adequate contingency arrangements in place that the systems are secured, that information produced are accurate in such business.

System is the putting together of sub-components, sub-systems so as to form a whole working system for which such is been created. Depending on systems by companies, helps in companies through system might be needed by the auditor, individual units of such companies so as to carry out the company's activities at a fast, easy and cheap rate, resolving

problems incurred by such companies. An efficient computer auditor can provide an independent appraisal of the problem and possibly an alternative solution.

2.8:1 FINANCIAL CONTROL The internal auditor is again ideally suited to ensure that these and other basic financial controls are in place. Online Business Dictionary defines financial control as management control of exercising planning, performance evaluation and coordination of financial activities aimed at achieving desired returns on investment.

Managers use financial statements (a budget being the primary one) operation ratios, and other financial tools to exercise financial control.

2.8:2 HEAD OFFICES AND THE SUBSIDIARY

The internal auditor is again ideally have to establish a relationship between the head office and the subsidiary and is therefore able to provide a mediation role.

2.8:3 BUSINESS STRATEGIES

Internal audit at its most effective does operate as an internal consultancy, where sales and marketing people are driving the introduction of new services, the internal auditor would preview the long term effect on the business, in particularly with the system requirement

and control and the effect of the service in terms of administration overseas with credit control recruitment.

2.9 LIMITATIONS OF INTERNAL AUDIT DEPARTMENT

Internal audit, until functions cannot be effectively done if there is lack of moral and legal obligations required. The internal audit faces lot of constraints like lack of independence, nature of duties performed by lack of experienced staff of the organisation as well as lack of clear and simple standards.

a) Lack of independence and organisation position

The management promotes the auditor and as such approve works done by him, therefore the auditor would report confidently for his promotion.

Internal auditors access the degree of compliance to rules, regulations and procedures. Since he/she has to appraise and review the works various departments, then he/she has to rely heavily on technical knowledge, therefore his disagreement with such information may not have the confidence and authority for an expert. By this one, may ask whether such reliance on information supplied does not erode the supposedly "independence" to some considerable degree.

b) Quality of staff and strength

There is a problem of inadequate staff for the internal audit functions which is materially affected. The internal audit unit, which is to make use of modern auditing techniques like statistically sampling, flow charting and circulation of debtors and observation of the physical counts of inventory cannot do so, due to grievous shortage of qualified and experience accounting personnel.

The audit staff should be trained by attending conferences, seminars and workshop so as to acquire themselves with new department in their field

c) Lack of corporation from staff of organisations and management.

Staffs do not cooperate with internal auditors because they are seen as detectives in disguise out to arrest criminals. S. Howard (2000) on this as "the uniformed are still quite likely to picture the auditor as a wizened individual wearing the traditional green-eye-shade and sleeve garters, they would expect to find him perched as top as high tool, counting money or meticulously adding along columns of figures and gaining his sole pleasure in life from the apprehension of luckless persons unless books failed to balance or where proud to be short".

Auditors positively state that lack of corporation was responsible for late submission of audit report.

- Educate the staffs on the object of audits.

- Educate them on the advantage of the audits.
- Create awareness of their responsibility
- Establishment of audit commitment

2.10 THE ORGANISATIONAL, STRUCTURES OF MAINSTREET-BANK NIGERIA PLC

The banking institution has been described private profit seeking financial institution. It is distinguishable from all other private financial institutions in that part of its debt, the demand deposit is used by the public as medium of exchange conversely, bank is non-commercial if no part of its debts are spendable.

According to the definition of section 4 sub-section 1(section 4[1]) of the banking decree of 1969, a bank means "a nay paragraph one of the same sub-section defines as a commercial bank, person who transacts banking business in Nigeria and whose business includes the acceptance of deposited and withdrawals of cheques. Its importance lies in the fact that its effectiveness and efficient performance determines the acceptance of deposits and withdrawals by cheque.

Mainstreet bank established in the same directions with other banking institutions, may be utilized to promote and encourage savings and investment. It is set-up with a board of directors having a chairman as the head, or as the ruling body of the bank. A managing director who

is the chief executive is in charge of administration, the executive directors in charge of banking of operations, international finance, and corporate client and corporate development services.

Then we have the general manager, deputy general manager, senior assistant general manager and area manager.

The bank consists of four departments, and they are:-

- a) Corporate development services
- b) International
- c) Banking operations
- d) Finance and account department.

NB: finance department deals with the financial management and administration of the bank.

2.11 THE NATURE OF ACCOUNTING POLICY AND COMPUTERIZATION.

Mainstreet bank employs the basic accounting principles of dual entity, or double entry, for every credit entry, there must be a corresponding debit entry to the branch while income, e.g. interest on loans, the commission on transfer and other exceptional profits like unclaimed bankers cheque e.t.c.

Accounting in the bank is usually shared in terms of acquisitions and applications of resources. The resources vary widely among

different entities but the bank resources is mainly from deposits of customers which are given as loans and advances to individual and companies that needs them on the company that they pay certain amount as interested.

The bank uses profit and losses budget and "balance sheet" budget approach each of the branch prepares its own budget which is reviewed by the management at the head office accounts, who deliberates on his reasonable attainment and then consolidates into a major/master budget, but for the various division of the bank, they operate on "object of expenditure approach". The major feature of this is to build expenditure control orientation and they submit their budget to the head of accounting unit. Expenditures are estimated based on trend and expansion of the bank and budgetary control is placed to check over expenditure. Budgets are prepared taking into account constraints and guidelines laid down in the monetary policy guideline issued by the Central Bank of Nigeria.

Estimates are divided into votes, one is of the which makes financial provision for the functions of each department votes are grouped into branches, classes, each of which calls on field of closely related expenditures called heads which are also divided into certain categories.

These sub-heads show a gross account to be spent within the financial year. For instance, a hypothetical note of #10,000.00 for a particular department can be sub-divided as shown below.

Table showing the hypothetical budget by department

Sub-head	Object	Amount(#)
Sub-head 1	Furniture and fittings	3,000.00
Sub-head 2	Office equipments	1,500.00
Sub-head 3	Staff salaries	2,000.00
Sub-head 4	Motor vehicles	3,500.00
	Total	10,000.00

This is compiled and submitted by the branch accountant or head of accountant department to the branch manager who then forward it to the management for approval.

2.12 COMPUTERIZATION

Mainstreet bank of Nigeria plc has the tradition of being an innovative bank. The improvement on the infrastructures, facilities and staffing in the branches in other to achieve optimum performances, which has made investment in computers inevitably.

With the explosive growth in the bank's operations coupled with the need to provide for the future expansion, Mainstreet-bank have

successfully upgraded the main computer the purpose increased capacity and enhanced application, thus, using one of the best technologies available in the market today for more efficient customer service delivery.

Today, Mainstreet-bank is one of the most computerized banks in Nigeria; over 120 branches of Mainstreet-bank have been computerized. Arrangement is onto introduction in the next few months, the SAMBA III scheme in which the signatories of customer's cheque will also involve extensive upgrading and automatically verify on the computer screen in which software and hardware will be upgraded in terms of configurations. The software will be made more result oriented and use friendly. There is also a computer audit, which will examine automation system and make recommendations on how to improve on customer's services delivery and management information system through the creating use of automations.

2.13 THE ROLE OF INTERNAL AUDITORS IN MAINSTREET-BANK OF NIGERIA PLC.

From the interview conducted, that internal auditor in the case study has various roles to render to the bank. Basically the internal auditor assists all members of the management in the effective discharge of their responsibilities by furnishing them with analyst,

appraisal, recommendations and important comment concerning activities reviewed. He is equally concerned with any phase of the bank's activities where he can be of service to management. We earlier recall that internal auditor is an employee of the bank and he is a big role to play in the internal control of the organisation. Their internal auditor prepares internal annual reports, which is observed by the management of the bank, not compulsory to the observation of the public. This can be done to access the activities of the bank.

In carrying these activities the internal auditors make sure that policy of the management is properly adhered to and equally makes sure that books of account were kept according to the accounting principles and rules.

- i) That the assets are truly and fairly stated
- ii) That the assets are at amounts which are in accordance with generally accepted accounting concept status.
- iii) That the profit and loss account is truly and fairly stated.
- iv) To ascertain the safeguarding of bank's assets against losses of any form of description.
- v) To recommend necessary changes in the various phase of the operations.

Finally, their internal auditor works in corporate with the external auditor in other to ensure effectiveness of their duties.

Nevertheless, their internal auditor is responsible to the management while the external auditor is responsible to the shareholders. Additionally, the internal auditor being under the authority of the management, therefore their duty is being influenced by the directives of the senior staffs (the management) from my interview, i observed that one of their problem is incompetent staff in the account department who did not know their job very well, thereby causing errors and omissions in their records.

Moreover, failure of the various department to submit the records of income and expenditure to the accounts department for proper reviewed and appraisal. Another problem discovered, their management is not working with good corporation and relationship. This means that there will be quarrels, unsatisfaction and politics among the workers/members.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

Research design and methodology depicts the steps processed followed or undertaken by a researcher carrying out research work. Donald's (1989) defined research methodology as the specification of procedure for collecting and analysing the problems hand such that the difference between the cost of obtaining various level of accuracy and the accuracy and expected value of the information associated with each level of accuracy is maximized.

The general overviews of the research are given as well as the methods and techniques used in collecting and presenting. A case study approach is adopted.

3.2 SOURCES OF DATA

The Primary Method: this method of data collection was used for this study, this was obtained through the use of questionnaire(s) asking of people and putting down their responds.

The Secondary Method: this was also used through the review of relevant literature(s) textbooks, journals, and articles, in newspapers,

government gazettes, magazines, lecture notes and information from libraries.

3.3 AREA OF STUDY

The researcher restricted himself to banking, hence Mainstreet-bank Nigeria plc. This study is on the internal audit department since financial activities of various departments are monitored by it. It is the conviction of the researcher that an elaborate study of the activities of this department will portray the effectiveness to the banks internal audit control system.

3.4 DATA COLLECTION TECHNIQUE/METHODS

Enquires are made into what presently obtained in the operation of internal audit department and what it ought to be. Data collected from both secondary sources which renders to second-hand reports, textbooks, journal periodicals, e.t.c. and primary sources which includes interviews with top executives of the internal audit department of the bank. The collection of data was also facilitated through administration of question on department basis. The system gave the respondents freedom to express their mind as to the question. The interviews and administration of questionnaire was made possible by a visit to

Mainstreet-bank. The researcher intends to distribute (135) one hundred and thirty-five questionnaire respondent.

3.5 POPULATION OF THE STUDY

The researcher restricted himself to banking, hence Mainstreet-bank plc of Nigeria. This study is on the internal audit department since financial activities of various departments are monitored by it. It is the conviction of the researcher that an elaborate study of the activities of this department will portray effectiveness to the bank's internal audit control system. The questionnaire which was distributed by the researcher was distributed to the audit department and shareholder of the firm which 135 questionnaires were given to the listed above (85 for the auditors, while other shareholders were 50 questionnaires

\bar{X} = mean of population

S = variances of population

N = total of population

3.6 Sampling Procedures and Sampling Sizes Determination.

A sample is a part of a population and the techniques for selecting these samples referred to as sampling procedures in determining the

judgemented samples techniques, the researcher adopted Taro Yamani's formula.

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

Where n= sample size

N= population size

e= level of significance (acceptable error/limit 5%)

1= constant

$$n = \frac{135}{1 + 135(0.05)^2}$$

$$n = \frac{135}{1 + 135(0.0025)}$$

$$n = \frac{135}{1 + 0.3375}$$

$$n = \frac{135}{1.3375}$$

$$n = 101$$

The simple random sampling allows for generalization to take place. The researcher used Bowley's proportional formula in allocating questionnaires to the respondents.

$$nh = \frac{n \times Nh}{N}$$

Where; nh= Number of questionnaire allocated to each respondent.

n = total sample size

Nh=number of employees in each unit of the firm.

N=population size.

Internal auditors section

$$nh = \frac{101 \times 85}{135}$$

$$=64$$

Shareholders section

$$nh = \frac{101 \times 50}{135}$$

$$=37$$

Table shown below

Section of population	No of respondents	No of samples
Internal auditors	85	64
Shareholders	50	37
Total	135	101

3.7 VALIDITY AND RELIABILITY OF THE RESEARCH METHOD.

The questionnaire issued to the respondents for this research work was designed in a way that it arouses interest in the minds of the respondents. The face and content validity was carried out by my supervisors, lecturers and experts in the field to ensure that the questionnaire was in line with what the research work is talking about.

For the reliability of the instruments, a pilot study was carried out to test the questionnaire that were distributed on a similar sample from the criteria for the selection of samples

3.8 TECHNIQUE FOR DATA ANALYSIS

Data related to this research work were analyzed using percentage and simple statement as rejected to the information collected from respondents through research questionnaire delivered as represented in a tabular form.

A parametric statistical testing tool Z-test is used to test the hypothesis about the difference between means of groups. The formula for Z-test statistical tool used is as that stated below

$$Z = \frac{\bar{X} - \bar{X}^2}{\sqrt{\frac{s_1^2}{n_1} + \frac{s_2^2}{n_2}}}$$

Where;

\bar{X} and \bar{X}^2 are means of two groups of samples

SD1= standard deviation of population 1

SD2= standard deviation of population 2

N1= size of sample from population 1

N2= size of sample from population 2

A four scale was used to award point to each specific question responded by the respondents. The favourable statements are scored as follows;

Strongly agreed (SA)

Agreed (A)

Strongly disagreed (SD)

Disagreed (D)

3.9 DECISION CRITERION FOR VALIDATION OF HYPOTHESIS.

The decision rule is based on the comparison between the calculated values.

Reject the Null hypothesis (H_0) and uphold alternative hypothesis (H_1) if the Z calculated value exceeds the Z- critical value, otherwise do not reject the Null hypothesis.

CHAPTER FOUR
DATA PRESENTATION, ANALYSIS AND HYPOTHESES
TESTING.

4.1 DATA PRESENTATION AND RESULTS

Analysis of data, particularly primary data and its findings is the core of any meaningful research work. The extent of application of the research depends on careful presentation and analysis of the data collection for the study.

The analysis would be represented on simple table and percentage. The research distributed a (101) one hundred and one questionnaire and collected (80) eighty back.

The analysis of the questionnaire distributed is stated below,

Table 4.1 distribution and return of questionnaires

respondents	no of questionnaire distributed	Number returned	Percentage%
internal auditors	64	51	64
Shareholders	37	29	36
Total	101	80	100

Sources; field survey 2013

Of the entire respondents 64% representing the number of questionnaires returned by the internal auditors which were 51 in number.

While 36% represented the shareholders in which 29 were returned.

4.2 ANALYSIS OF QUESTIONS

Findings and decisions.

The researcher carefully selected some vital questions in relation to the objectives of the research response from the respondents have been represented by use of table and single percentages. Analysis and interpretation are followed respectively.

Question 1

Internal audit is a source of help to prudent management operations.

Table 4.1

Response	No of respondents	Percentage%
Agreed	40	50
Strongly agreed	20	25
Disagreed	12	15
Strongly disagreed	8	10
Total	80	100

Source: Field Survey 2013

This implies that the response indicate that 50% agreed, 25% strongly agreed, 15% disagreed and 10% strongly disagreed. From the response gotten from the table, which implies that internal audit is a source of help to prudent management operations.

Question 2

Management operations may not be effectively done if there is lack of morale and legal obligations required for management operations.

Table 4.2: table on morale and legal obligations of management

Response	No of respondents	Percentage%
Agreed	20	25
Strongly agreed	19	19
Disagreed	25	31
Strongly disagreed	20	25
Total	80	100

Source: Field Survey 2013

The evaluation on the respondent on the respondents responds indicate that there are doubts in question 2 which 25% agreed, 19% strongly agreed, 31% disagreed while 25% strongly disagreed. In which from the above response, one can refer to this question as an average view in terms of the responds

Question 3

Internal audit is not only a source of help to prudent management operations but also aids in the control of operations in such organisation.

Table 4.3: table on internal audit as a source of help to prudent management operations and control of operations

Responds	No of respondents	Percentage%
Agreed	40	50
Strongly agreed	30	38
Disagreed	5	6
Strongly disagreed	5	6
Total	80	100

Source: Field Survey 2013

For question 3, the respondent agreed on 40%, strongly agreed 38%, 6% of the respondents disagreed, while 6% of the respondents strongly disagreed. From the response given above, one can depict that internal audit is not only a source of help to prudent management operations but also aids in the control of operations in such organisation.

Question 4

Management operations are not only carried out by the internal audit department.

Table 4.4: table on whether management operations are carried out by internal audit department.

Response	No of respondents	Percentage%
Agreed	15	19
Strongly agreed	25	31
Disagreed	40	50
Strongly disagreed	-	-
Total	80	100

Source: Field Survey 2013

In this question, 19% agreed, 31% strongly agreed, 50% disagreed, while nil respondent for strongly disagreed. In this case, one can refer to this question as an average view in terms of the responds

Question 5

Management operations are clerically determined by the internal audit department of such organisation.

Table 4.5 Table showing if management operation is determined by the internal audit department

Responds	No of respondent	Percentage%
agreed	25	31
Strongly agreed	-	-
Disagreed	25	31
Strongly disagreed	30	38

total	80	100
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Source: Field Survey 2013

31% agreed to the question, nil for strongly agreed, 31% disagreed, while 38% also strongly disagreed on the question. The result given above in table4.5 depicts that management operations are not determined by the internal audit department of such organisation

Question 6

The recognition accorded to the internal audit department in the organisation hierarchy does enhance the operations in the organisation.

Table 4.6: table on the recognition of internal audit department in the organisational hierarchy

Responds	No of respondents	Percentage%
Agreed	50	63
Strongly agreed	20	25
Disagreed	5	6
Strongly disagreed	5	6
Total	80	100

Source: Field Survey 2013

For question 6, it tends the question to which the respondents responded went with the positive for which 63% agreed, 25% strongly agreed, 6% disagreed, and 6% strongly disagreed. The response gotten

from table 4.6 portrays that, the recognition accorded to the internal audit department in the organisation hierarchy does enhance the operations in the organisation.

Question 7

Internal audit department concepts changes from time to time as the objectives and scope of duties are expanded as well as the standard of practice in terms of organisational operations

Table 4.7

Response	No of respondents	Percentage%
Agreed	20	25
Strongly agreed	20	25
Disagreed	20	25
Strongly disagreed	20	25
Total	80	100

Source: Field Survey 2013

No of respondent at which agreed are 25%, 25% strongly agreed, 25% disagreed, 25% strongly disagreed. This table shows that internal audit department concepts do change from time to time and may not change due to time and base on the standards of organisational operations.

Question 8

Internal audit department assess the degree of compliance to rules, regulations and procedures in management operations

Table 4.8 Table showing internal audit department assess of the degree of compliance to rules, regulations and procedures in management.

Response	No of respondents	Percentage%
Agreed	5	6
Strongly agreed	5	6
Disagreed	20	25
Strongly disagreed	50	63
Total	80	100

Source: Field Survey 2013

The percentage at which the respondent agreed is 6%, 6% strongly agreed, 25% disagreed while 63% strongly disagreed. The table above depicts that internal audit department does not assess the degree of compliance to rules, regulations and procedures in management operations

Question 9

Can internal audit department be of help to an organisation in its hierarchy, identifying the effectiveness performance of the organisation

Table 4.9

Response	No of respondents	Percentage%
Agreed	30	38
Strongly agreed	25	31
Disagreed	25	31
Strongly disagreed	-	-
Total	80	100

Source: Field Survey 2013

Table 4.9 above shows that 38% agreed with the question, 31% strongly agreed, 31% disagreed while nil strongly disagreed. From the table of response gotten from the table above, one can say that, internal audit department can be of help to an organisation in its hierarchy, identifying the effectiveness performance of the organisation.

Question 10

Internal audit department faces lots of constraints like lack of independence, nature of duties performed by lack of experience staff of the organisation

Table 4.10

Response	No of respondents	Percentage%
Agreed	64	80
Strongly agreed	16	20

Disagreed	-	-
Strongly disagreed	-	-
Total	80	100

Source: Field Survey 2013

Table 4.10 above shows that 80% agreed with the question, 20% strongly agreed, while none disagreed and strongly disagreed. The table above shows that the Internal audit department faces lots of constraints like lack of independence, nature of duties performed by lack of experience staff of the organisation

Question 11

Internal audit department is a base for achieving value for money audit

Table 4.11 Table showing internal audit department as a base for achieving value for money audit

Response	No of respondents	Percentage%
Agreed	40	50
Strongly agreed	20	25
Disagreed	12	15
Strongly disagreed	8	10
Total	80	100

Source: Field Survey 2013

The response indicates that 50% agreed, 25% strongly agreed, 15% disagreed and 10% strongly disagreed. The table above shows that the internal audit department is a base for achieving value for money audit

Question 12

Value for money audit gives the shareholders a review of such organisation

Tables 4.12 Table showing if the value for money audit give the shareholders a review of the organisation

Response	No of respondents	Percentage%
Agreed	5	6
Strongly agreed	5	6
Disagreed	40	50
Strongly disagreed	30	38
Total	80	100

Source: Field Survey 2013

The table shows the respondents percentage of the above question at which 6% agreed, 6% strongly agreed, 50% disagreed while 38% strongly disagreed. The value for money audit does not give the shareholders a review of such organisation, this can be seen as shown in table 4.12

Question 13

Value for money audit can be adopted when undertaking a review of a Product of a company.

Table 4.13 Table showing if the value of money audit can be adopted when undertaking a review of the product of the company

Response	No of respondents	Percentage%
Agreed	20	25
Strongly agreed	15	19
Disagreed	20	25
Strongly disagreed	25	31
Total	80	100

Source: Field Survey 2013

In this table (13) 25% agreed, 19% strongly agreed, 25% disagreed, while 31% strongly disagreed. From the information given from table 4.13, one can see that the Value for money audit cannot be adopted when undertaking a review of a product of a company.

Question 14

An effective and efficient management operation aids the audits department in terms of value for money audit.

Table 4.14 table showing if the effective and efficient management operation aids the audits department in terms of value for money audit.

Response	No of respondents	Percentage%
Agreed	16	20
Strongly agreed	-	-
Disagreed	64	80
Strongly disagreed	-	-
Total	80	100

Source: Field Survey 2013

Table 4.14 shows the relativeness at which 16% agreed, none strongly agreed, 80% disagreed and none strongly disagreed to the question. Effective and efficient management operation does not aid the audits department in terms of value for money audit. This can be seen from the table 4.14 above

Question 15

One of the bases for internal audit department achieving value for money audit is to check the performance of an organisation.

Table 4.15 table showing the check of performance of an organisation through value for money audit

Response	No of respondents	Percentage%
Agreed	20	25

Strongly agreed	20	25
Disagreed	20	25
Strongly disagreed	20	25
Total	80	100

Source: Field Survey 2013

Table 4.15 shown above represents the respondents responds at which 25% agreed, 25% strongly agreed, 25% disagreed, and 25% strongly disagreed. The value of money audit may or may not be used to check the performance of an organisation. This can be seen in table 4.15

4.3 TESTING OF HYPOTHESES

The hypotheses which were stated earlier in chapter one would be tested in this chapter for acceptance or rejection. The hypothesis is to be tested using the Z- test for uncorrelated data.

$$Z = \frac{\bar{X} - \bar{X}^2}{\sqrt{\frac{s_1^2}{n_1} + \frac{s_2^2}{n_2}}}$$

\bar{X} and \bar{X}^2 are means of two groups of samples

SD1= standard deviation of population 1

SD2= standard deviation of population 2

N1= size of sample from population 1

N2= size of sample from population 2

4.3.1 TEST FOR HYPOTHESES ONE

For the purpose of clarity, the hypothesis is hereby restated.

H0: internal audit is not a source of help to prudent management operations.

H1: internal audit is a source of help to prudent management operations.

Analysing the data in section B table 1 using the Z-test model.

$$Z = \frac{\bar{X} - \bar{X}^2}{\sqrt{\frac{s1^2}{n1} + \frac{s2^2}{n2}}}$$

Table 4.3.1

Respond	No of respondents	Group that agreed and strongly agreed (X̄1)	Group that disagreed and strongly disagreed (X̄2)
Internal auditors	51	38	13
Shareholders	29	22	7
Total	80	60	20

a)

To determine the mean for the two groups (i.e. x1 and x2)

For x1(i.e. the group that agreed and strongly agreed)

$$X = \frac{\sum x_1}{n_1}$$

$$X = \frac{60}{2} = 30$$

For x_2 (i.e. the group that disagreed and strongly disagreed)

$$X = \frac{\sum x_2}{n_2}$$

$$X = \frac{20}{2} = 10$$

b)

To determine the standard deviation of x_1 and x_2 .

Group that agreed and strongly agreed			Group that disagreed and strongly disagreed		
X_1	$(x_1 - \bar{x}_1)$	$(x_1 - \bar{x}_1)^2$	X_2	$(x_2 - \bar{x}_2)$	$(x_2 - \bar{x}_2)^2$
38	8	64	13	3	9
22	-8	64	7	-3	9
60	-	128	20	-	18

$$Sd_1 = \sqrt{\frac{\sum (x_1 - \bar{x}_1)^2}{n_1 - 1}}$$

$$Sd_2 = \sqrt{\frac{\sum (x_2 - \bar{x}_2)^2}{n_2 - 1}}$$

$$Sd_1 = \sqrt{\frac{128}{2-1}}$$

$$Sd_2 = \sqrt{\frac{9}{2-1}}$$

$$Sd_1 = \sqrt{\frac{128}{1}}$$

$$Sd_2 = \sqrt{\frac{9}{1}}$$

$$Sd_1 = \sqrt{\frac{128}{1}}$$

$$Sd_2 = \sqrt{\frac{9}{1}}$$

$$Sd_1 = 11.31$$

$$Sd_2 = 3$$

Now the Z-test formula will be applied

$$Z = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{\frac{s_1^2}{n_1} + \frac{s_2^2}{n_2}}}$$

$$X_1 = 30$$

$$X_2 = 10$$

$$Sd_1 = 11.31$$

$$Sd_2 = 3$$

$$N_1 = 2$$

$$N_2 = 2$$

Note: that the level of significance is 0.05.

c)

Decision rule state that the H_0 (i.e. the null hypotheses should be accepted if the Z calculated is less than the Z- critical value of ± 1.98) and the alternative hypotheses should be rejected if it is greater than critical value of (± 1.96).

The (± 1.96) is the critical value of 2 for a two failed test at 0.05 level of significance.

$$Z = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{\frac{s_1^2}{n_1} + \frac{s_2^2}{n_2}}}$$

$$\frac{30 - 10}{\sqrt{\frac{11.31^2}{2} + \frac{3^2}{2}}}$$

$$Z = \frac{\sqrt{11.31^2 + 3(2)}}{2}$$

$$= \frac{20}{2}$$

$$Z = \frac{\sqrt{128 + 9}}{2}$$

$$= \frac{20}{2}$$

$$Z = \frac{\sqrt{64 + 5}}{1}$$

$$= 20/8.30 = 2.41$$

d)

To compute the critical value and computed value

Critical value = (± 1.96).

Computed value = 2.4

Computed value $>$ critical value

e)

Decision on the acceptance/rejection of H_0 and since the calculated value of Z is greater than critical value; we should reject the null hypotheses and uphold the alternative hypotheses.

f)

Conclusion: internal audit is a source of help to prudent management operations.

4.3.2 TEST FOR HYPOTHESES TWO

The hypothesis two will be restated, which is

H0: the recognition accorded to the internal audit department in the organisation hierarchy does not enhance the organisational operations.

H1: the recognition accorded to the internal audit department in the organisation hierarchy does enhance the organisational operations.

Analyzing the data in section B, table 6 using Z-test model, thus,

$$Z = \frac{\bar{X} - \bar{X}^2}{\frac{s1^2 + s2}{n1 \quad n2}}$$

Table 4.2.2

respond	No of respondents	Group that agreed and strongly agreed (X̄1)	Group that disagreed and strongly disagreed(X̄2)
Internal auditors	51	45	6
Shareholders	29	25	4
total	80	70	10

a)

To determine the mean for the two groups (i.e. x1 and x2)

For x1(i.e. the group that agreed and strongly agreed)

$$X = E_{x1}/n1$$

$$X = 70/2 = 35$$

For x2 (i.e. the group that disagree and strongly disagreed)

$$X = E_{x2}/n_2$$

$$X = 10/2 = 5$$

b)

To determine the standard deviation of x1 and x2.

Group that agreed and strongly agreed			Group that disagreed and strongly disagreed		
X1	(x1-x1)	(x1-x1) ²	X2	(x2-x2)	(x2-x2) ²
45	10	100	6	1	1
25	-10	100	4	-1	1
70	-	200	10	-	2

$$Sd1 = \sqrt{\frac{\sum (x1-x1)^2}{n1-1}}$$

$$Sd2 = \sqrt{\frac{\sum (x2-x2)^2}{n2-1}}$$

$$Sd1 = \sqrt{\frac{200}{2-1}}$$

$$Sd2 = \sqrt{\frac{2}{2-1}}$$

$$Sd1 = \sqrt{\frac{200}{1}}$$

$$Sd2 = \sqrt{\frac{2}{1}}$$

$$Sd1 = \sqrt{\frac{200}{1}}$$

$$Sd2 = \sqrt{\frac{2}{1}}$$

$$Sd1 = 14.1$$

$$Sd2 = 1.41$$

Now the Z-test formula will be applied

$$\frac{\bar{X} - \bar{X}_2}{\dots}$$

$$Z = \frac{\overline{s_1^2 + s_2^2}}{n_1 \quad n_2}$$

$$X_1 = 35$$

$$X_2 = 5$$

$$Sd_1 = 14.1$$

$$Sd_2 = 1.41$$

$$N_1 = 2$$

$$N_2 = 2$$

Substitute

$$\frac{\bar{X} - \bar{X}^2}{}$$

$$Z = \frac{\overline{s_1^2 + s_2^2}}{n_1 \quad n_2}$$

$$\frac{35 - 5}{}$$

$$Z = \frac{14.1^2 + 1.41(2)}{2 \quad 2}$$

$$\frac{30}{}$$

$$Z = \frac{198.8 + 1.988}{}$$

$$\frac{30}{}$$

$$Z = \frac{100}{1}$$

$$= 30/10 = 3$$

d)

To compute the critical value and computed value

Critical value= (± 1.98).

Computed value=2.4

Computed value \gt critical value

e)

Decision on the acceptance/rejection of H_0 and since the calculated value of Z is greater than critical value; we should reject the null hypotheses and uphold the alternative hypotheses.

f)

Conclusion: internal audit department in the organisation hierarchy do enhance the operations in the organisation.

4.3.3 TEST FOR HYPOTHESES THREE

H_0 : internal audit department is not a base for achieving value for money audit.

H_1 : internal audit department is a base for achieving value for money audit.

Analyzing the data in section B table 11

$$Z = \frac{\bar{X} - \bar{X}^2}{\frac{s_1^2 + s_2^2}{n_1 + n_2}}$$

Table 4.2.3

respond	No of respondents	Group that agreed and strongly agreed (X̄1)	Group that disagreed and strongly disagreed(X̄2)
Internal auditors	51	40	12
Shareholders	29	20	8
total	80	60	20

a)

To determine the mean for the two groups (i.e. x1 and x2)

For x1(i.e. the group that agreed and strongly agreed)

$$X = \frac{\sum x_1}{n_1}$$

$$X = \frac{60}{2} = 30$$

For x2(i.e. the group that disagree and strongly disagreed)

$$X = \frac{\sum x_2}{n_2}$$

$$X = \frac{20}{2} = 10$$

b)

To determine the standard deviation of x1 and x2.

Group that agreed and strongly agreed	Group that disagreed and strongly disagreed
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X1	(x1-x1)	(x1-x1) ²	X2	(x2-x2)	(x2-x2) ²
38	8	64	13	3	9
22	-8	64	7	-3	9
60	-	128	20	-	18

$$Sd1 = \frac{\overline{x1-x^2}}{n1-1}$$

$$Sd2 = \frac{\overline{x1-x^2}}{n1-1}$$

$$Sd1 = \frac{\overline{128}}{2-1}$$

$$Sd2 = \frac{\overline{9}}{2-1}$$

$$Sd1 = \frac{\overline{128}}{1}$$

$$Sd2 = \frac{\overline{9}}{1}$$

$$Sd1 = \frac{\overline{128}}{1}$$

$$Sd2 = \frac{\overline{9}}{1}$$

$$Sd1 = 11.31$$

$$Sd2 = 3$$

Now the Z-test formula will be applied

$$\frac{\overline{X}-\overline{X}^2}{\sqrt{\frac{s1^2}{n1} + \frac{s2^2}{n2}}}$$

$$Z = \frac{\overline{X}-\overline{X}^2}{\sqrt{\frac{s1^2}{n1} + \frac{s2^2}{n2}}}$$

$$X1 = 30$$

$$X2 = 10$$

$$Sd1 = 11.31$$

$$Sd2 = 3$$

$$N1 = 2$$

$$N2 = 2$$

Substitute

$$\begin{aligned} Z &= \frac{\bar{X} - \bar{X}^2}{\sqrt{\frac{s_1^2}{n_1} + \frac{s_2^2}{n_2}}} \\ &= \frac{.30 - .10}{\sqrt{\frac{11.31^2}{2} + \frac{3(2)}{2}}} \\ &= \frac{.20}{\sqrt{128 + 9}} \\ &= \frac{.20}{\sqrt{64 + 5}} \\ &= \frac{.20}{1} \\ &= 20/8.31 = 2.41 \end{aligned}$$

d)

To compute the critical value and computed value

Critical value = (± 1.98).

Computed value = 2.4

Computed value $>$ critical value

e)

Decision on the acceptance/rejection of H_0 and since the calculated value of Z is greater than critical value; we should reject the null hypotheses and uphold the alternative hypotheses.

f)

Conclusion: internal audit department is a base for achieving value for money audit.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.

In this last chapter of the study, the researcher tends to give a clear summary of the findings of the research process, the finding made on the analysis of the data and the conclusion drawn from the analysis. The broad aim of this study is to ascertain how efficient the internal audit as an aspect of internal control system has contributed to the effective management of Mainstreet-bank.

5.1 SUMMARY OF FINDINGS

From the outcome of the analysis and interpretation as they relate to the questions in the questionnaire for this study and also as they relate to the testing of hypotheses, the following findings were made and summarized as follows:

- The responses received for research questions established the fact that, management operations can effectively work out if there are no lack of morale, and illegal obligation required for management operation.
- Internal audit is not only a source of help to prudent management, but also helps in the control of operations in such organisations from which the respondents responds clarified.

- Management operations are not only carried out by the internal audit department for which there are many other units, departments, sectors in such organisation that also helps in carrying out management operations.
- The researcher discovered that internal audit department concepts changes from time to time as the objectives and scopes of duties are expanded as well as the standard of practice in terms of organisational operations in which the responds to the question was just based on average by the respondents.
- The researcher also observed that internal audit department do assess the degree of compliance to rules and regulations in management operations of which responds turned out to be negative for the respondents.
- We also discover that value for money audit does not give the shareholders a review of such organisation at which the organisation needs to put all efforts and resources from all units, sectors e.t.c in the organisation so as to give a review of the organisation to the shareholder. And at such internal audit department is not the whole aspect of the department.
- It was also observed that the recognition accorded to the internal audit department in the organisation hierarchy do enhance the

operations in the organisation, at which it aids in providing value for money audit of such organisation.

➤ We discovered that management operations are clerically or mostly determined by the internal audit department of such organisation.

➤ In the first hypothesis that was tested representing question one of the research question, the computed value (2.4) is greater than the critical value (± 1.98), therefore the null hypothesis was rejected and the alternative hypothesis which states that internal audit is a source of help to prudent management operations.

➤ Again, the second hypothesis tested, represents question two of the research question and question six of the questionnaire, and at such the computed value (3.00) is greater than the critical value (± 1.98), therefore calls for the rejection of the null hypothesis and the acceptance of the alternative hypothesis which states that the recognition accorded to the internal audit department in the organisation does enhance the organisational operations.

➤ Lastly, the testing of the third hypothesis equally that the computed value (2.41) is greater than the critical value (± 1.98), the null hypothesis was rejected and the alternative hypothesis was accepted, it

is therefore concluded that internal audit department is a base for achieving value for money audit.

➤ The findings agrees with C. Watts (2000), E. Woo (1988) who asserted over the principles of internal auditing, and contributed to the objectives of internal audit as a tool in achieving organisational operations.

➤ The American Accounting committee on basic concepts (2002) findings also agree that internal audit is a tool use in achieving organisational objectives e.t.c.

5.2 CONCLUSION

Based on the findings of our research work, the study reveals that internal audit is a tool in achieving organisational objectives which is also seen by E. Woo (1988) is essential in any organisation. Hence internal audit is the mainstream in every organisation which also has the influence in improving the growth of such organisation. Internal audit has given the shareholders of such organisation the review for value for money audit and how it can be achieved.

5.3 RECOMMENDATIONS

The following recommendations are hereby made with the view of seeing internal audit as a major tool in achieving organisational objectives.

On the basis of the findings and decisions in this study, i hereby make the following recommendations:

➤ The need to orientation course: employees apart from those in audit department need to be told why there is need for internal control. They should know that instituting good control procedures are not an insult to the integrity of present employees of job relation and forced vocations.

a) More than one employee becomes familiar with certain duties and procedures so that replacement of employees in case of emergency is less difficult.

b) It broadens the training of personnel in general.

c) Rotation frequency serves as a general check on the efficiency of the employee on vocation.

d) Irregularities which may have been committed by an employee may be discovered while the employee is on vacation and his duties are assumed by someone else.

Budgetary and reporting controls are effective without the active participation of a senior management in the review process. There should be need to improve the system of internal audit, so that it is a real asset to management by finding management or efficiency audit.

Internal audit department must realize that they have been designed to help management run the organization effectively.

➤ The issues of visiting auditors to area officers. It was gathered that auditors are permanently at the head office and are only in area office when need arise which is risky as the visiting auditor may not be familiar with all the operating aspects of the area offices. This may not have free and independent mind to give good and unbiased judgements. The auditor should make an unscheduled visit to the area office.

➤ Review of the accounting system and relative internal control. Duties should be allocated in such a way that one person's job is independently proved or checked by others. Different jobs should be allocated to different people so as to call for checks and balances.

➤ Development of education and professional qualification.

i) Internal audit staff should be encouraged having sound, personal, educational and professional qualifications. The personal qualities to be cultivated, the idealism, leadership, mental capacity and alertness. They should also be constructive and analytical ability as mastery of model procedure and practices, excellent knowledge of accounting theory and a good knowledge of language communication.

5.4 SUGGESTION FOR FURTHER RESEARCH

The companies and allied matters decree of 1970 is the current law covering the appointment of external auditors in addition to banking decree. Further research should be made to ascertain whether there should be a law equity covering the appointment and duties of internal auditors in limited liability companies. If the above research is carried out, it will go a long way in helping internal auditors in the discharge of their duties and safe guard their appointment.

I equally commend that research should be conducted into other organisations including manufacturing companies as well as governmental establishments.

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APPENDIX 1

LETTER TO RESPONDENTS

Caritas University

Amorji-nike, Emene

Enugu State

13th July 2013

Dear respondent,

I am a student of the above institution carrying out a research study on the topic " Internal audit as a tool in achieving the organisational objectives" ; a case study of Mainstreet bank of Nigeria plc, Asaba.

Kindly, complete this questionnaire to the best of your knowledge. No names are required; all you are required to do is to simply tick the answer .Be assured that the information shall be treated with utmost confidentiality.

Yours faithfully

Akpibor Michael

APPENDIX II
QUESTIONNAIRE

INSTRUCTION TO THE QUESTIONNAIRE

(PLEASE SELECT THE OPTION OF YOUR CHOICE)

1) Internal audit is a source of help to prudent management operations.

(a) Strongly agree (b) Agree (c) Disagree (d) strongly disagree

2) Management operations may not be effectively done if there are lack of morale and legal obligations required for management operations.

(a) Strongly agree (b) Agree (c) Disagree (d) strongly disagree

3) Internal audit is not only a source of help to prudent management operations but also aids in the control operations in such organisation.

(a) Strongly agree (b) Agree (c) Disagree (d) strongly disagree

4) Management operations are not only carried out by the internal audit department?

(a) Strongly agree (b) Agree (c) Disagree (d) strongly disagree

5) Management operations are clerically or mostly determined by the internal audit department of such organisation.

(a) Strongly agree (b) Agree (c) Disagree (d) strongly disagree

6) The recognition accorded to the internal audit department in the organisation hierarchy does enhance the operations in an organisation.

(a) Strongly agree (b) Agree (c) Disagree (d) strongly disagree

7) Internal audit department concepts changes from time to time as the objectives and scopes of duties are expanded as well as the standard of practice in terms of organisational operations.

(a) Strongly agree (b) Agree (c) Disagree (d) strongly disagree

8) Does internal audit department assess the degree of compliance to rules, regulations and procedures in management operations?

(a) Strongly agree (b) Agree (c) Disagree (d) strongly disagree

9) Can internal audit department be off help to an organisation in its hierarchy, identifying the effective performance of the organisation objectives?

(a) Strongly agree (b) Agree (c) Disagree (d) strongly disagree

10) Internal audit department faces lots of constraints like lack of experience staff of the organisation .e.t.c.

(a) Strongly agree (b) Agree (c) Disagree (d) strongly disagree

11) Internal audit department is a base for achieving money for value audit.

(a) Strongly agree (b) Agree (c) Disagree (d) strongly disagree

12) Value for money audit gives the shareholders a review of such organisation.

(a) Strongly agree (b) Agree (c) Disagree (d) strongly disagree

13) Value for money audit can be adopted when undertaking a review of a product of a company.

(a) Strongly agree (b) Agree (c) Disagree (d) strongly disagree

14) An effective and efficient management operation aids the audit department in terms of value for money audit.

(a) Strongly agree (b) Agree (c) Disagree (d) strongly disagree

15) One of the bases for internal audit department achieving value for money audit is to check the performance of an organisation.

(a) Strongly agree (b) Agree (c) Disagree (d) strongly disagree.