

Dynamic Relationship between Internal Audit Process and Organization Performance in Nigeria: An Empirical Analysis of UAC PLC

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I. Introduction

1.1 BACKGROUND TO THE STUDY

The internal audit department is very important inside a firm that the internal audit is regarded as the key element in the application of accounting systems which in turn, helps in evaluating the work of the department. The internal audit is considered as the backbone of the business accounting as it is the section that records all businesses related to the sector. The efficiency of internal audit helps develop the work of the company because the financial reports reflect the internal audit department's quality. Moreover, an internal audit is a significant part of the CG structure in an organization and CG encompasses oversight activities taken by the board of directors and audit committees to make sure that the financial reporting process is credible (Public Oversight Board, 1994). Three monitoring mechanisms have been highlighted in the CG literature, namely, external auditing, internal auditing.

The financial and corporate strategy of a company is underpinned by effective internal systems in which the internal audit has an important role in raising the reliability of the internal control system, improving the process of risk management and above all, satisfying the needs of internal users. The internal audit support enhances the system of responsibility that the executive directors and employees have towards the owners and other stakeholders (Eighme & Cashell, 2002). Taken together, the internal audit department provides a reliable, objective, and neutral service to the management, board of directors, and audit committee, while stakeholders are interested in return on investments, sustainable growth, strong leadership, and reliable reporting on the financial performance and business practices of a company (Ljubisavljević & Jovanovi, 2011).

Internal audit makes a large contribution to the achievement of company goals, and the implementation of strategies for their achievement (Ljubisavljević & Jovanovi, 2011). In addition, the internal audit function is responsible for reinforcing management and audit committee (Hutchinson & Zain, 2009).

Likewise, internal audit determines the reliability, reality, and integrity of financial and operational information that comes from different organizational units, on which appropriate business decisions at all levels of management are based. Successful implementation of internal audit tasks means that it must be independent, i.e., company management should in no way influenced by its work, information, conclusions, and evaluations. In this way the internal audit report becomes a means of communication between internal audit and management, and an important guideline for the successful management of the company (Ljubisavljević & Jovanovi, 2011).

An audit is financial statements of a company or any other legal entity, results in the publication of an independent opinion on whether or not those financial statements are -relevant, accurate, complete, and fairly presented.

Although laws differ from country to country, an audit of the financial statements of a public company is usually required for investment, financing, and tax purpose. These are usually performed by independent accountants or auditing firms. Results of the audit are summarized in an audit report that either provides an unqualified opinion on the financial statement or qualifications as to its fairness and accuracy. The audit opinion on the financial statements is usually included in the annual report Alatisé (2007).

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's performance. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Independence is established by the organizational and reporting structure. Objectivity is achieved by an appropriate mind-set. The internal audit activity evaluates risk exposures relating to the organization's performance and information systems, in relation to:

- Effectiveness and efficiency of operations.
- Reliability and integrity of financial and operational information.
- Safeguarding of assets.
- Compliance with laws, regulations, and contracts.

Based on the results of the risk assessment, the internal auditors evaluate the adequacy and effectiveness of how risks are identified and managed in the above areas. They also assess other aspects such as ethics and values within the organization, performance management, communication of risk and control information within the organization in order to facilitate a good governance process.

The internal auditors are expected to provide recommendations for improvement in those areas where opportunities or deficiencies are identified. While management is responsible for internal controls, the internal audit activity provides assurance to management and the audit committee that internal controls are effective and working as intended. The internal audit activity is led by the chief audit executive (CAE). The CAE delineates the scope of activities, authority, and independence for internal auditing in a written charter that is approved by the audit committee.

An effective internal audit activity is a valuable resource for management and the board or its equivalent, and the audit committee due to its understanding of the organization and its culture, operations, and risk profile. The objectivity, skills, and knowledge of competent internal auditors can significantly add value to an organization's internal control, risk management, and governance processes. Similarly an effective internal audit activity can provide assurance to other stakeholders such as regulators, employees, providers of finance, and shareholders.

As primary body for the internal audit profession, The Institute of Internal Auditors (IIA) maintains the International Standards for the Professional Practice of Internal Auditing and the profession's Code of Ethics. The Information Systems Audit and Control Association (ISACA) sets forth its Code of Professional Ethics to guide the professional and personal conduct of members of the Association and/or its certification holders.

STATEMENT OF THE PROBLEM

The fact that audit processes has a positive impact on the performance of an organization, there are lots of problems that the quality of an audit process encounters. These problems should not be neglected or underestimated as this can affect the performance of an organization. These problems can destroy the whole activity and existence of an organization if not given strict adherence. Such problems encountered are enumerated as: The non-disclosure of quality and authentic information by the organization/staff which means that the information available to the auditor is incomplete. Close personal relationship between the Auditor and the Directors which may affect the auditor's objectivity to give a quality report. Acceptance of undue hospitality constitutes a similar threat to independence which may affect the auditor's giving quality report.

Some other problems include:

1. The impact of not using internal audit to improve organizational performance and accountability.
2. Negative attitude of workers to the use of accounting packages that will aid efficient auditing.
3. Improper use of auditing practise to attain accountability and efficiency performance.
4. Close personal relationship between the Auditor and the Directors which may affect the auditor's objectivity to give a quality report.

PURPOSE OF THE STUDY

The primary objective of this study will to evaluate internal audit as an instrument for ensuring effective performance in an organization. Other purposes include:

1. To identify the relationship between internal audit and safety of organization assets.
2. To examine whether there is a relationship between the size of internal audit and organisation performance.

RESEARCH QUESTIONS

In carrying out this research there will a need to ask the following questions which serve as a guide to the study:

- i. How can qualification of internal audit contribute to organization performance?
- ii. Is there correlation between internal audit and organization performance?
- iii. What is the relationship between internal audit and accountability?

RESEARCH HYPOTHESES

The following hypothesis shall be tested in the study:

HYPOTHESIS ONE

H₀: There is no significant relationship between internal audit and the safety of the organization assets.

H₁: There is a significant relationship between internal audit and the safety of the organization assets.

HYPOTHESIS TWO

H₀: There is no significant relationship between the size of internal audit and organisational performance.

H₁: There is a significant relationship between the size of internal audit and organisational performance..

HYPOTHESIS THREE

H₀: There is no significant relationship between the qualification of internal Audit and Organization Performance.

H₁: There is significant relationship between the qualification of internal Audit and Organization Performance.

SCOPE OF STUDY

The scope of the study is to examine the impact internal audit processing and organizational performance. The Concepts of internal audit processes will be reviewed, different types of audit report techniques will be looked into necessary suggestions and recommendations will be given to the UAC Nigeria Plc, Oregun Branch.

II. Literature Review

Internal auditing serves as an important link in the business and financial reporting processes of corporations and not-for-profit providers. Reynolds (2000). Internal auditors play a key role in monitoring a company's risk profile and identifying areas to improve risk management Goodwin-Stewart and Kent (2006). The aim of internal auditing is to improve organizational performance efficiency and effectiveness through constructive criticism. Internal auditing has four main components:

- Verification of written records;
- Analysis of policy;
- Evaluation of the logic and completeness of procedures, internal services and staffing to assure they are efficient and appropriate for the organization's policies; and
- Reporting recommendations for improvements to management Eden and Moriah (2006).

The subject is worthy of attention because internal auditors are important, even crucial, in an economy that relies upon independently produced information Van Peursem (2005). Indeed, internal auditing has become an indispensable management tool for achieving effective control in both public and private organizations Eden and Moriah (2006). Control mechanisms are those processes set up to monitor and to direct, promote or restrain the various activities of an enterprise for the purpose of seeing that enterprise objectives are met. Sawyer (2008); Coram, Ferguson and Moroney (2008). By detecting weaknesses in management operations, internal auditing provides a basis for correcting deficiencies that have eluded the first line of defense before these deficiencies become uncontrollable or are exposed in the external auditor's report Eden and Moriah(2006). As an example, Coram et al. (2008) found in a sample of 324 Australian and New Zealand organizations that those with an internal audit function are more likely to detect and self-report fraud through misappropriation of assets than those who do not.

The current study looks at the effectiveness of internal auditing, an important concept rarely examined in the scientific literature. Of the few studies dealing with IA's effectiveness, most take as a starting point the perceptions of the external auditor and whether the external auditor uses the internal auditor's work Eden and Moriah (2006); Coram et al. (2008).

The International Audit and Assurance Standard Board (IAASB) a sub-committee of the International Federation of Accounts (IFAC) defines an audit as an independent examination of and expression of opinion on the financial statements of a business enterprise by an appointed auditor in accordance with his terms of appointment and in compliance with relevant statutory and professional requirements.

The Institute of chartered accountants of Nigeria defines auditing as a process carried out by an appointed qualified person or body, whereby the records and financial statements of an entity are subjected to independent examination in such details as will enable the auditor form an opinion as to their truth and fairness.

Badmus (2011) says auditing can be defined as the process carried out by suitable qualified auditors whereby the accounting records of business including charities, trust, professional firm etc. are subject to examination in such a detail as to enable the auditor form an opinion on the truth, fairness and accuracy of such accounting statements. Such an examination is usually conducted with a view to expressing an opinion. It involves the examination and evaluation of the authenticity and reliability of an organization documents and

records. The documents and records examined include the books, vouchers and the usual objective is to report whether the financial statements give a true and fair view.

Olusanya (2011) defines auditing as the independent examination and investigation of books, accounts and vouchers of the business with a view to enabling the auditor to report whether the balance sheet and profit and loss account are properly drawn up so as to show the true and fair view of the state of affairs and profit or loss of the business according to the best of information and explanation obtained by the auditor.

According to Cook and Wincle (2006), the Internal Control System and consecutively internal audit resembles the human nervous system which is spread throughout the business carrying orders and reactions to and from the management.

Furthermore, Carmichael and Willingham (2007), and Grigorakou (2009) argue that internal auditing is the audit that performed by employees of organizations functioning in a staff capacity and reporting to a high level officer in the organization.

According to the Institute of Internal Auditors, (IIA, 1991; Taylor and Glezen, 1991; Konrath, 1996) internal auditing is "an independent appraisal function, established within an organization to examine and evaluate its activities as a service to the organization". By measuring and evaluating the effectiveness of organizational controls, internal auditing, itself, is an important managerial control device (Carmichael etc, 1996), which is directly linked to the organizational structure and the general rules of the business (Cai, 1997).

MANAGEMENT RESPONSIBILITY IN FINANCIAL CONTROL

The primary responsibility of financial control rests with management. This responsibilities arises out of contractual duty of care by directors and managers and also because directors and other managers act in stewardship capacity with regard to the properly entrusted to them by the shareholders or other owners. How they exercise this duty of care is a matter for them, but in most cases their duty may be discharged by instituting and maintaining a strong system of internal control. There are many ways the board can discharge their duties towards implementing good internal control system. Collins (2002), states that an effective and efficient financial control system is dependent on the management deliberate efforts in the following areas:

- The provision of adequate framework of the organization terms of plans, policies and procedures and practices that establish financial responsibilities and authority to enhance accountability.
- The establishments of administrative controls that enable employee's carry out authorized activities.
- The establishment of sound accounting system including staff related positions with high proficient personnel of high integrity.
- The establishment of sound internal control systems.
- Corrective measures should be promptly taken by the management when weaknesses are detected.
- The provision of accounting control covering procedures and documentation that have to do with the safeguarding of financial resources of the organization.
- Installing adequate control for preventive and detective purpose so that mismanagement of financial resources could easily be prevented when it occurs, detected with ease

STAGES OF INTERNAL AUDIT PROCESS

For the purpose of this research the stages of internal auditing is extracted from the publication of the West Virginia University, May 2012 which expatiate the phases of audit adopted by the institution. Every successful audit is based on sound planning and an atmosphere of constructive involvement and communication between the client and the Internal Auditor. Our objective is to involve client management throughout each stage of the audit. Management's participation results in both a better understanding of unit operations and a more effective implementation of recommendations. The majority of internal audits performed at West Virginia University go through four major phases: Planning, Field Work, Report Writing, and Follow-up. These phases are discussed in the following paragraphs

Planning

In the planning phase the Internal Auditor establishes clear-cut audit objectives to avoid aimless investigations into insignificant areas. In addition, the Internal Auditor prepares estimates of the resources necessary to achieve the objectives and determines the audit techniques to be used. West Virginia University Internal Audit utilizes three steps to complete this phase of the audit project: Entrance Conference, Preliminary Survey, and an Audit Planning Memorandum.

Preliminary Survey

This is a general information-gathering process used by the Internal Auditor to obtain an overview of the client's operations, practices, and policies. The information gathered in this step is generally from discussions with departmental personnel, and reviews of reports and files maintained in the department. The survey process can take from several days to several weeks depending on the audit objectives, availability of records, and the Internal Auditor's prior understanding of the department's operations. The Internal Auditor uses this information to refine the audit objectives and the audit procedures required to accomplish them. This step is very important because it determines the direction that the audit field work will take.

Planning Memorandum

The planning memorandum presents the Internal Auditor's understanding of the function(s) to be audited, the objectives of the project, the audit procedures to be used to accomplish the objectives, a budget of resources needed, any special aspects to be considered, the period to be audited, and departmental audit contacts. This document is shared with the client and serves as a formal understanding between the client and the WVU Internal Audit Office as to the scope and objectives of the examination. In some special purpose audits this phase of the audit process is excluded.

Field Work

Audit field work can be classified into four categories: system analysis and evaluation, transaction testing, informal progress reporting, and discussion of audit conclusions and recommendations at the exit conference.

System Analysis and Evaluation

Much of the audit work performed is based on management's system of internal control. The audit team begins their evaluation of internal control by reviewing system documentation and capabilities. Particular emphasis is placed on the assignment of duties, the approval process, and the reporting structure. This information is obtained primarily through interviews and flow charts. The audit team's opinion regarding the adequacy of internal control has a direct relationship to the amount and depth of the second category of audit field work, transaction testing.

Transaction Testing

To determine if the reported controls are functioning as intended, the audit team selects samples of documents and inspects them for compliance with stated procedures and practices. The results of these tests provide the audit team with a degree of assurance regarding the reliability and adequacy of the controls, and a means of measuring operational effectiveness and accountability. Through these analyses, the audit team is able to determine if client management is achieving the stated mission for their unit. The audit team documents the test samples and results, both positive and negative, in audit work papers. Historically, audit work papers consisted of large quantities of paper files stored in notebooks. The WVU Internal Audit Office has committed itself to the use of personal computers for work paper analysis and the storage of files to the greatest extent possible. The use of computers "in the field" has given the Internal Auditor the ability to perform complex analysis quickly and with far less effort. Thus, the modern-day Internal Auditor is much more efficient than ever before.

Progress Reporting

The audit team leader meets with the designated management representative during the course of the audit field work to discuss audit progress, audit test results, and conclusions and recommendation. The purpose of these meetings is threefold: to clarify any misunderstandings, enlist management's opinion and support in solving any problems discovered, and to ensure timely implementation of recommendations. Our goal is to discuss with management all significant weaknesses discovered during the course of the audit field work, and to achieve an agreement regarding corrective action to be taken by management prior to the release of the final audit report. In short: a cooperative effort with no surprises.

Informal Rough Draft

After the audit field work is completed, the Internal Auditor prepares a rough draft of the audit report. The report states the audit objective(s), the audit tests performed, the results of the audit tests, and a recommendation for improvement.

Discussion Draft

After undergoing internal review, the report is forwarded to the client with the notation that it is a tentative report for discussion purpose only. Generally, client management is requested to review the draft and contact the WVU Internal Audit Office to discuss the contents within a fifteen-day period. We strongly urge the client not to distribute the report to anyone other than operating management because the report is still in the draft stage and is subject to change. The discussion draft of the report is reviewed in detail during the exit conference (see prior discussion of audit field work categories) between client management and the WVU Internal Audit Office representatives. At this meeting, we strive to reach an agreement on our conclusions and the approach to be taken by management to implement recommendations.

Final Report The final report is prepared based on the results of the exit conference. The client's response to each recommendation is also incorporated into the final report if it is available within a reasonable time period following the discussion draft meeting. Confidential copies of the final report are distributed to the Dean/Director of the area audited, the appropriate Vice-President(s), and the President's Office. A cover letter attached to the report requests a formal written response, usually within thirty days, from the audit client if it was not already incorporated into the final report.

Audit Follow-up

After a reasonable period of time, we contact the audit client to request a status report on the corrective action taken to date. We evaluate the effectiveness of the corrective action taken and advise the client on alternatives that they can employ to achieve the desired improvements. In larger, more complex audit situations this step may be repeated several times as additional changes are initiated. Additional on-site visits and reviews may be performed to ensure adequate implementation of recommendations.

III. Methodology

The aim of this chapter is to state and discuss the types of methodology adopted to carry out this research work in order to accomplish the set research objectives. This also attempts to justify the approaches used in the course of research findings which include the research design, data collection method, research instrument, identification of the population study etc.

According to (Gronhavng and Ghavri, 2005) research methodology can be view as rules for reasoning. That is gaining insight through a specific logic. He explain further through a specific logic. He explain further that research methodology can also be seen as communication rules by giving a detail report on the adopted rules and procedures which may be imitate or criticize by others for the reported findings and the chosen approach.

(Brown, 2006) pointed out that research methodology is the over all plan upon which research findings is based with the aim of providing answers to research question. This is also evidence in (Savnder et al, 2007) that "research methodology is the general scheme which guides researchers on how research will be answer. It involves the identification of data collection from the source and object and obtained from the research questions" In order words, it structurally focused on data collection with the aim of obtaining information which enables researchers to answer a precise question.

RESEARCH DESIGN

(Saunders et al, 2007) maintain that there are basically three main reasons for conducting a research, which are descriptive, explanatory and exploratory. This research work adopts the exploratory research approach because the study primarily focused on past and present knowledge of research with the adequate use of exploratory research features, researcher was able to explore all the variables that contribute to the research problems. Thus, the main aim of this study is to specify the issues that concerns motivation.

SOURCES OF DATA COLLECTION

The major instrument that will be employed for the gathering of data for this work will be the questionnaire and interview methods. A questionnaire is a document containing structured endeavour, which also need the respondents to fill.

(a) **Primary Data:** This include interviews, questionnaire and personal contact

(b) **Secondary Data:** This includes journals, textbooks, papers presented during seminars by eminent personalities and of course information from the internet.

For the purpose of this research work the use of questionnaire methods was employed in the course of gathering the needed relevant data. The primary and secondary data are the instrument used for source of data collection.

The questionnaire designed was well structure to capture the respondents full profile.

POPULATION OF THE STUDY

Statistically, population can be defined as the whole set of objects or individual about which a statistical investigation is carried out. Hence, the population that will supply information for the research study are mainly staffs of the United African Company (UAC PLC). This form of research will provide opportunity to utilize and approach to data collection and analysis.

SAMPLE SIZE AND SAMPLING TECHNIQUES.

Sample size can be defined as a number of sampling units fewer than the aggregate drawn from a population. It is also the specimen of the population therefore, the determination of the sample size should be well considered so as to be able to make generalization about the whole population.

RELIABILITY & VALIDITY OF INSTRUMENT

Reliability connotes the accuracy or precision of a measuring instrument. It is the extent to which a researcher can confidently depend on the information collected through the questionnaire. The test of the hypothesis used in the research work is reliable because a consistent measure of variables is done and précised. The research work adopted the test and re-test technique approach which showed the reliability of the questionnaire. The truth score result of the questionnaire distributed and received were done accurately and this enables the researcher to properly and adequately present the hypothesis and the result analyzed.

Validity can be defined as the degree to which a measuring instrument measures what it is designed to measure (Asika, 1991). For validity of measuring instrument to be established, there should be a complete absence of measurement error. To ensure the validation of the research instrument in this research work, the statements posed were related to the topic under investigation, they are unambiguous and it was also attested to so as to avoid a situation whereby the instruments lack a measurement scale. The questionnaire after being constructed or drafted by the researcher was given to the supervisor of this study. After the comment and correction, final approval was given which gave the study face validity

METHOD OF DATA ANALYSIS:

The data so generated by the instrument shall be analyzed using tables such as frequency and contingency tables. The various hypotheses shall be tested using Chi square and binomial. Professional/specialist packages such as SPSS shall be used in the analysis of the data generated for this study.

METHOD OF DATA ANALYSIS

The choice of statistical analysis for this research is as follows: through the use of percentage: this is used in my research questions for the purpose of analysis and interpretation. Through the use of chi-square: this is used to test the hypothesis in the research questions. The association between two or more attribute is tested by the chi-square test. The reason for this choice is because the scale of measurement is normal.

$$X^2 = \sum \frac{E(o-e)^2}{E} \quad \text{Where}$$

o = observed frequency of sample

E = expected frequency on the basis of hypothesis.

The decision rule is to reject Ho. It calculated chi-square table value. The table value is determined from the chi-square table using a given level of significance and a determined degree of freedom.

Where the degree of freedom is given by:

$$D/f = (r-1) (c-1)$$

Where:

r = number of rows

c = number of columns in a given contingency table

Significance level is 5% i.e (0.05).

IV. Data Presentation And Analysis

In this chapter, the data generated in the course of the research is represented with some detailed analytical model as indicated in the previous chapter on methodology.

However, Analysis of data generated from direct information through the administration of the questionnaire will be evaluated and interpreted. A total number of One hundred (100) questionnaires were administered to respondents in their offices, Sixty-Seven (67) were returned while Thirty-Three (33) questionnaires were not processed.

SECTION B

Presentation and Analysis of Data According to Research Questions

Table 4.2.7

Question 1: The qualification of an internal auditor affect the organization performance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	17	25.4	25.4	25.4
	Agree	22	32.8	32.8	58.2
	undecided	8	11.9	11.9	70.1
	disagree	16	23.9	23.9	94.0
	strongly disagree	4	6.0	6.0	100.0
	Total	67	100.0	100.0	

Source: Field Survey, 2015

The analysis shows that Agreed is the highest percentage. This means the respondent agreed with the statement that the qualification of an internal auditor affect the organization performance

Table 4.2.8

Question 2: Internal audit contribute to organizational performance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	12	17.9	17.9	17.9
	Agree	29	43.3	43.3	61.2
	undecided	17	25.4	25.4	86.6
	disagree	4	6.0	6.0	92.5
	strongly disagree	5	7.5	7.5	100.0
	Total	67	100.0	100.0	

Source: Field Survey, 2015

The analysis shows that Agreed is the highest percentage. This means the respondent agreed with the statement that internal audit contribute to organizational performance.

Table 4.2.9

Question 3: Internal audit have impacts on organizational performance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	14	20.9	20.9	20.9
	Agree	34	50.7	50.7	71.6
	undecided	11	16.4	16.4	88.1
	disagree	8	11.9	11.9	100.0
	Total	67	100.0	100.0	

Source: Field Survey, 2015

The analysis shows that Agreed is the highest percentage. This means the respondent agreed with the statement that internal audit have impacts on organizational performance

Table 4.2.10

Question 4: Is there any relationship between internal audit and safety of assets

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	9	13.4	13.4	13.4
	Agree	14	20.9	20.9	34.3
	undecided	29	43.3	43.3	77.6
	disagree	13	19.4	19.4	97.0
	strongly disagree	2	3.0	3.0	100.0
	Total	67	100.0	100.0	

Source: Field Survey, 2015

The analysis shows that Undecided is the highest percentage. This means the respondent can't with the statement that there is relationship between internal audit and safety of assets.

Table 4.2.11

Question 5: There is relationship between internal audit and firm performance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	9	13.4	13.4	13.4
	Agree	24	35.8	35.8	49.3
	Undecided	10	14.9	14.9	64.2
	Disagree	17	25.4	25.4	89.6
	strongly disagree	7	10.4	10.4	100.0
	Total	67	100.0	100.0	

Source: Field Survey, 2015

The analysis shows that Agreed is the highest percentage. This means the respondent agreed with the statement that there is relationship between internal audit and firm performance.

Table 4.2.12
Question 6: Internal audit process affect organizational performance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	13	19.4	19.4	19.4
	Agree	23	34.3	34.3	53.7
	undecided	12	17.9	17.9	71.6
	disagree	10	14.9	14.9	86.6
	strongly disagree	9	13.4	13.4	100.0
	Total	67	100.0	100.0	

Source: Field Survey, 2015

The analysis shows that Agreed is the highest percentage. This means the respondent agreed with the statement that internal audit process affect organizational performance.

Table 4.2.13
Question 7: How does internal audit affect the productivity of the organization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	5	7.5	7.5	7.5
	Agree	14	20.9	20.9	28.4
	undecided	32	47.8	47.8	76.1
	disagree	10	14.9	14.9	91.0
	strongly disagree	6	9.0	9.0	100.0
	Total	67	100.0	100.0	

Source: Field Survey, 2015

The analysis shows that Undecided is the highest percentage. This means the respondent cannot with the statement that internal audit affect the productivity of the organization.

Table 4.2.14
Question 8: Internal audit process impact the development of employee

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	10	14.9	14.9	14.9
	agree	5	7.5	7.5	22.4
	undecided	13	19.4	19.4	41.8
	disagree	30	44.8	44.8	86.6
	strongly disagree	9	13.4	13.4	100.0
	Total	67	100.0	100.0	

Source: Field Survey, 2015

The analysis shows that Disagreed is the highest percentage. This means the respondent disagreed with the statement that internal audit process impact the development of employee.

Table 4.2.15
Question 9: The growth and development of the employee affect organizational performance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	17	25.4	25.4	25.4
	agree	19	28.4	28.4	53.7
	undecided	6	9.0	9.0	62.7
	disagree	8	11.9	11.9	74.6
	strongly disagree	17	25.4	25.4	100.0
	Total	67	100.0	100.0	

Source: Field Survey, 2015

The analysis shows that Agreed is the highest percentage. This means the respondent agreed with the statement that the growth and development of the employee affect organizational performance

Table 4.2.16
Question 10: The size of the internal audit affect the organization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	8	11.9	11.9	11.9
	Agree	12	17.9	17.9	29.9
	undecided	16	23.9	23.9	53.7
	disagree	22	32.8	32.8	86.6
	strongly disagree	9	13.4	13.4	100.0
	Total	67	100.0	100.0	

Source: Field Survey, 2015

The analysis shows that Agreed is the highest percentage. This means the respondent agreed with the statement that the size of the internal audit affect the organization

Table 4.17

Question 11: Internal audit helps the organization develop proper audit process

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	30	44.8	44.8	44.8
	Agree	31	46.3	46.3	91.0
	undecided	4	6.0	6.0	97.0
	Disagree	2	3.0	3.0	100.0
	Total	67	100.0	100.0	

Source: Field Survey, 2015

The analysis shows that Agreed is the highest percentage. This means the respondent agreed with the statement that internal audit helps the organization develop proper audit process

Table 4.2.18

Question 12: Organization can survive without internal audit process

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	8	11.9	11.9	11.9
	Agree	15	22.4	22.4	34.3
	undecided	27	40.3	40.3	74.6
	disagree	8	11.9	11.9	86.6
	strongly disagree	9	13.4	13.4	100.0
	Total	67	100.0	100.0	

Source: Field Survey, 2015

The analysis shows that Undecided is the highest percentage. This means the respondent cannot with the statement that organization can survive without internal audit process.

Table 4.2.9

Question 13: The qualification of an internal audit and accountability

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	9	13.4	13.4	13.4
	Agree	9	13.4	13.4	26.9
	undecided	14	20.9	20.9	47.8
	Disagree	32	47.8	47.8	95.5
	strongly disagree	3	4.5	4.5	100.0
	Total	67	100.0	100.0	

Source: Field Survey, 2015

The analysis shows that Disagree is the highest percentage. This means the respondent disagreed with the statement that the qualification of an internal audit and accountability.

Table 4.20

Question 14: There is relationship between internal audit and accountability

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	26	38.8	38.8	38.8
	Agree	26	38.8	38.8	77.6
	Undecided	7	10.4	10.4	88.1
	Disagree	4	6.0	6.0	94.0
	strongly disagree	4	6.0	6.0	100.0
	Total	67	100.0	100.0	

Source: Field Survey, 2015

The analysis shows that Agreed is the highest percentage. This means the respondent agreed with the statement that there is relationship between internal audit and accountability

Table 4.21

Question 15: Internal audit process helps in creating reliability of financial record of the organization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	22	32.8	32.8	32.8
	Agree	33	49.3	49.3	82.1
	undecided	4	6.0	6.0	88.1
	disagree	7	10.4	10.4	98.5
	strongly disagree	1	1.5	1.5	100.0
	Total	67	100.0	100.0	

Source: Field Survey, 2015

The analysis shows that Agreed is the highest percentage. This means the respondent agreed with the statement that internal audit process helps in creating reliability of financial record of the organization

Reliability

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	67	100.0
	Excluded ^a	0	.0
	Total	67	100.0

a. Listwise deletion based on all variables in the procedure.

Source: Field Survey, 2015

Reliability Statistics

Cronbach's Alpha	N of Items
.735	15

Source: Field Survey, 2015

The Reliability Statistics table reports the value of Cronbach's alpha. Cronbach-apha test of reliability is an approach used in determining the ability of a study to measure accurately and dependably a research construct. The Cronbach's alpha coefficient gave a value of 0.735 which is in line with the recommendation of Osuagwu (2002) that a coefficient of 0.70 and above is acceptable. The value was due to a relatively large sample size that has been used. Therefore this can be interpreted that the instrument used is reliable given that the highest coefficient of reliability is a maximum of one (1). In conclusion, the coefficient of 0.735 reported for these items is an estimate of the true alpha, which in turn is a lower bound for the true reliability.

TESTING OF HYPOTHESES

After a careful and systematic analysis of the respondents responses to the research .questions formulated, hypothesis earlier submitted will be tested using Statistical Packages for Social Sciences. (SPSS Statistics 17.0)

Hypothesis I

H₀: There is no significant relationship between internal audit and the safety of the organization assets.

H₁: There is a significant relationship between internal audit and the safety of the organization assets.

Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum
Is there any relationship between internal audit and safety of assets	67	2.7761	1.01236	1.00	5.00
How does internal audit affect the productivity of the organization	67	2.9701	1.01459	1.00	5.00

Source: Field Survey, 2015

Friedman Test

Ranks

	Mean Rank
Is there any relationship between internal audit and safety of assets	1.46
How does internal audit affect the productivity of the organization	1.54

Source: Field Survey, 2015

Test Statistics^a

N	67
Chi-Square	6.750
Df	1
Asymp. Sig.	.036
a. Friedman Test	

Source: Field Survey, 2015

DECISION

Using the significance of (0.05), that is 5% which is greater than the chi-square asymptotic significance of (0.036), the result is significant and thus-we accept the alternative hypothesis and reject the null hypothesis.

Alternatively, the calculated chi-square value (6.750) with 1 degree of freedom at 95% confidence level is greater than the table value of 3.488, which makes the chi-square calculated to fall at the rejection region. As a result of this, the Null Hypothesis is rejected; while the alternative hypothesis is accepted that there is a significant relationship between internal audit and the safety of the organization assets.

Hypothesis II

H₀: There is no significant relationship between internal audit and organizational performance.

H₁: There is a significant relationship between internal audit and organizational performance.

Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum
Is there any relationship between internal audit and safety of assets	67	2.7761	1.01236	1.00	5.00
Internal audit process impact the development of employee	67	3.3433	1.24988	1.00	5.00

Source: Field Survey, 2015

Friedman Test

Ranks

	Mean Rank
Is there any relationship between internal audit and safety of assets	1.33
Internal audit process impact the development of employee	1.67

Source: Field Survey, 2015

Test Statistics^a

N	67
Chi-Square	11.255
Df	1
Asymp. Sig.	.001
a. Friedman Test	

Source: Field Survey, 2015

DECISION

Using the significance of (0.05), that is 5% which is greater than the chi-square asymptotic significance of (0.001), the result is significant and thus-we accept the alternative hypothesis and reject the null hypothesis.

Alternatively, the calculated chi-square value (11.255) with 1 degree of freedom at 95% confidence level is greater than the table value of 3.488, which makes the chi-square calculated to fall at the rejection region. As a result of this, the Null Hypothesis is rejected; while the alternative hypothesis is accepted that there is a significant relationship between internal audit and organizational performance

Hypothesis III

H₀: There is no significant relationship between the qualification of internal audit and organization performance.

H₁: There is a significant relationship between the qualification of internal audit and organization performance.

Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum
The qualification of an internal auditor affect the organization performance	67	2.5224	1.27158	1.00	5.00
The qualification of an internal audit and accountability	67	3.1642	1.14940	1.00	5.00

Source: Field Survey, 2015

Friedman Test

Ranks

	Mean Rank
The qualification of an internal auditor affect the organization performance	1.35
The qualification of an internal audit and accountability	1.65

Source: Field Survey, 2015

Test Statistics^a

N	67
Chi-Square	7.692
Df	1
Asymp. Sig.	.006
a. Friedman Test	

Source: Field Survey, 2015

DECISION

Using the significance of (0.05), that is 5% which is greater than the chi-square asymptotic significance of (0.006), the result is significant and thus-we accept the alternative hypothesis and reject the null hypothesis.

Alternatively, the calculated chi-square value (7.692) with 2 degree of freedom at 95% confidence level is greater than the table value of 3.488, which makes the chi-square calculated to fall at the rejection region. As a result of this, the Null Hypothesis is rejected; while the alternative hypothesis is accepted that there is a significant relationship between the qualification of internal audit and organization performance.

V. Summary, Conclusion and Recommendations

In this chapter the summary, conclusions, suggestions and recommendations is stated in other to aid better understanding of the research project.

VI. Summary of the Findings

After the various analyses conducted in chapter four, the following were the finding of the study:

1. There is a significant relationship between internal audit and the safety of the organization assets.
2. There is a significant relationship between internal audit process and organisational performance.
3. Internal audit process reveal the strength and weakness of the financial position of an organization.
4. Internal auditors encounter difficulties when carrying out audit assignment which hinder effective managerial control.
5. Internal auditors contribute to the attainment of the overall goals of an organization through the presentation of a financial statement showing the true and fair view of an organization.

VII. Conclusion

The study examined the issue of “The impact of internal Audit Processes on organizational performance, a study of UAC Plc. From the data and information collected tested and analyzed in the course of the research the following conclusions can be deduced from the study.

- That there are problems facing the auditors in preparation of audit report.
- That wrong opinion of an auditor have a negative impact on audit reports, it encourages confusion of interpretations materiality concepts of audit reports.
- That the current internal control system is inadequate to guide the organization in safeguarding its assets, maintain accuracy and reliability of data and prevention of fraud etc.
- That the management organizational structure is complex and cannot guarantee administrative effectiveness and efficiency.
- That all stakeholders are not adequately well informed and educated on audit reports; procedures, roles and responsibilities.
- That there is a positive and direct relationship between motivation and productivity, motivation is a pre-requisite to job satisfaction while job satisfaction while job satisfaction is a prerequisite to achieving increase labour productivity.

VIII. Recommendations

Based on the valid conclusions reached the following recommendations if implemented faithfully would assist in meeting the objectives set for the research. It will improve the organizational decisions, such:

- ❖ That a comprehensive review of internal audit processes is absolutely necessary and essential instead of frequent reviews, it will eliminate the confusion of interpretations, encourage standard audit reports, and compliance with necessary provisions and statutory requirements.
- ❖ That since there is a social contract between the auditor and the shareholders, organizations will be much more willing and ready to make decisions. Through transparent and standard audit reports and internal audit control to enhances organization evaluation of performance for the benefits shareholders.

- ❖ That the shareholders should carry out a total reform of the current management organizational structure, make it simple, direct with clearly spelt out roles and responsibilities of all stakeholders and avoid overlapping of functions.
- ❖ That the shareholders need to set up a technical study group of experts to comprehensively review the current internal control system and fashion out an adequate, effective and efficient system that will guarantee maintenance, accuracy and reliability of record and information safeguard assets, prevent wastes, embezzlement, fraud misappropriation and ensure compliance with audit provisions, standards, rules and regulations.
- ❖ That the shareholders should evolve a comprehensive remuneration and motivational policy, that will have the potential to increase staff productivity and positively enhance organization performance.
- ❖ The board should set up a comprehensive monitoring system which will ensure that not only, the employees are monitored, but the directors and internal auditors are also well monitored, to ensure compliance, transparency and accountability.

SUGGESTION FOR FURTHER STUDY

- ✓ For more understanding and to have more ideals on this research topic, the under listed topics are suggested for further study;
- ✓ Effect of usage of internal audit for organizational control and performance in private enterprises.
- ✓ Internal audit as a tool for preventing fraud, errors and misappropriation in organization.
- ✓ There should be adequate legislations for the preparation of internal audit reports.
- ✓ The reports should reflect organizational performances and financial position and It should reduce materiality effects on financial statement to minimum.
- ✓ Internal audit control is useful in evaluating and prediction the performance of a business as well as intensifying areas that regret improvement.

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QUESTIONNAIRE

Chartered Institute of Commerce of Nigeria
Lagos-state, Nigeria.

Dear Sir/Madam,

I am a PDF candidate of the above institution and wish to carry out a research on the topic: **Dynamic Relationship Between internal Audit Processes and organizational performance: An Empirical Analysis of UAC Plc**.

It would be greatly appreciated if you answer the following questions. I promise to ensure strict confidentiality on information that will be provided.

Thanks in anticipation of your co-operation.

Yours faithfully,

.....

Ayodele Olusola

Instruction: Please provide appropriate to the following question by marking (✓) in the appropriate boxes of this questionnaire.

SECTION B

S/N		SA	A	U	SD	D
1.	The qualification of an internal auditor affect the organization performance.					
2.	Internal audit contribute to organizational performance.					
3.	Internal audit have impacts on organizational performance.					
4.	Is there any relationship between internal audit and safety of assets?					
5.	There is relationship between internal audit and firm performance.					
6.	Internal audit process affect organizational performance.					
7.	How does internal Audit affect the productivity of the organization?					
8.	Internal Audit process impact the development of employee.					
9.	The growth and development of the employee affect organizational performance.					
10.	The size of the internal audit affect the organization.					
11.	Internal Audit helps the organization develop proper Audit process.					

12.	Organization can survive without internal audit process					
13.	The qualification of an internal auditor affect the financial decision of the organization.					
14.	There is relationship between internal audit and accountability.					
15.	Internal audit process helps in creating reliability of financial record of the organization.					

SECTION B

S/N		SA	A	U	SD	D
1.	Audit process have impacts on organizational performance.					
2.	Compliance tests contribute to better audit process of organization.					
3.	Significant relationship exists between audit planning and audit process.					
4.	There is different between audit process and audit memorandum.					
5.	Organizations rely greatly on audit reports to survive.					
6.	Audit report expresses auditors opinion on financial statement.					
7.	Audit process contributes to growth and development of organization.					
8.	There is significant impact of audit report process on organizational internal control system.					
9.	Internal control system is improve by proper auditing process.					
10.	Auditing report serves as an evidence of auditors opinion.					
11.	Organizations can survive without audit reports.					
12.	Organizations can achieve their aim goal and objectives through effective audit process.					
13.	Nigeria companies depend heavily on audit process for their survival especially during financial crisis.					
14.	Employee participation in audit process and planning reduces it objectives.					
15.	Audit process can serve as collateral securities in obtaining loans.					

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