

Original Research Article

**An Empirical Examination of Challenges Faced by
Internal Auditors in Public Sector Audit in South-
Eastern Nigeria**

Abstract

Internal auditors play crucial role in ensuring, accountability, probity and governance of public sector entities. However, the effective performance of such duties would depend on the challenges faced by internal auditors in public sector institutions. The objective of this study is therefore to examine the challenges faced by internal auditors in public sector audit in south-eastern, Nigeria. The study shall specifically examine whether independence of internal auditors, compliance with set out rules and regulations of public fund management and, improper segregation of duties pose a challenge to internal auditors of public sector entities. The study adopted the survey research design. The population of the study was drawn from accountants and auditors in the offices of the Accountant-General and Auditor-General of Anambra State. The study employed Independent-Samples Mann-Whitney U Test technique in testing the formulated hypotheses. The study finds out that while independence and the compliance with set out rules and regulations of public fund management pose a challenge to internal auditors of public sector entities, however, that improper segregation of duties does not pose a challenge to internal auditors of public sector entities. The study recommends that the independence of internal auditors in public institutions should be enthroned. And, secondly, to ensure compliance with rules and regulations of public fund management ensured.

1.0 INTRODUCTION

1.1 BACKGROUND OF THE STUDY

In both developed and developing countries, public sector offices are part of the whole system of governance, which are partly or wholly financed by government budget and primarily concerned with delivering benefits of governance to the citizenry (Ministry of Finance and Economic Development [MoFED], 2004). The composition of the public sector is varied by their function and purposes, but in most cases, they are designed to enable the government achieve their goals. They provide services such as financing, education, communication service,

31 healthcare, police, transportation, electric services, and security, etc. which benefit all of the
32 society (Mihret & Yismaw, 2007).

33 In recent times, the need for accountability and probity in the public sector has been
34 underscored (Oshisami, 2004; Ebimobowei & Binaebi, 2013). The drive for accountability often
35 begins with the pursuit of probity and integrity on the part of public administrators (Oshisami,
36 2004). In every democratic system, the government undertakes various transactions through its
37 representatives or agencies and as such, they are required by law to give account of their
38 stewardship. In this vein, the constitution of the Federal Republic of Nigeria has provided for the
39 establishment of audit departments both at Federal and State levels. Section 125 (1) of the 1999
40 constitution provides that there shall be an Auditor General for the Federation and for each
41 State of the Federation, who shall be appointed in accordance with the provision of section 126
42 of this constitution. Subsection (2) of this section provides that the public accounts of a state
43 and all offices, ministries, parastatals, and the courts of the state shall be audited by the auditor
44 general for the state who shall submit his reports to the House of Assembly of the state
45 concerned.

46 This clearly underscores the importance of auditors in public sector entities, who by their work
47 would achieve good internal control system, avoid corruption, ensure good corporate
48 governance system, and promote accountability and transparency (Van Peurse, 2005; Belay,
49 2007; Coram, Ferguson, & Moroney, 2008). According to Okereson (2013) auditing in the public
50 sector is aimed at the prevention of mistakes, shortcomings and misdeeds in the public
51 administration. In both private and public sectors, the responsibilities for internal auditing rest
52 with internal auditors (Okereson, 2013). According to the Institute of Internal Auditors (IIA,
53 2001) internal audit is 'an independent, objective assurance and consulting activity designed to
54 add and improve an organization's operations'. According to the Institute of Chartered
55 Accountants of England and Wales [ICAEW] internal auditing "is an independent appraisal

56 function established within an organization to examine and evaluate its activities as a service to
57 the organization”.

58 Internal audit is a control mechanism that can curtail incidence of fraud and misappropriation
59 in government ministries if adequately applied (Okereon, 2013). The International Standard on
60 Auditing (ISA) 200 states that the objective of an audit of financial statements is to enable the
61 auditor to express an opinion whether the financial statements are prepared, in all material
62 respects, in accordance with an identified financial reporting framework (Hayes, Schilder,
63 Dassen, & Wallage, 1999). The role of internal audit departments in the public sector is to
64 ensure the smooth functioning of internal controls, by reviewing policies and practices in the
65 entity in order to avoid noncompliance or loss of financial resources (Baharud-din, Shokiyah, &
66 Ibrahim, 2014).

67 **1.2 STATEMENT OF THE PROBLEM**

68 Ebimobowei and Binaebi (2013) observed a low tendency for public officers in Nigeria to report
69 on their performance and conduct fairly to members of the public to whom they are called to
70 serve. Public sector entities unlike other entities are generally accountable to the public, a global
71 phenomenon which has seen users’ continuously demanding for greater public accountability
72 and transparency (Turlea & Stefanescu, 2009). The public need to know whether funds are used
73 in compliance with laid down rules and policies, and whether the institutions are achieving the
74 purpose for they are set up (Ebimobowei & Binaebi, 2013). Previous studies have established
75 the fact that good accounting and reporting systems enable an entity to allocate its resources in
76 the most efficient manner (Adeniji, 2004; Appah, 2008; Akinbuli, 2010), a fact supporting the
77 establishment of internal audit departments in numerous organisations.

78 However, in spite of the existence of internal audit departments in public sector entities in
79 Nigeria, the rate of fraud and financial impropriety is arguably on the increase (Appah & Appiah,
80 2010; Okereon, 2013). Auditors in public sector entities are expected to ensure that funds are

81 expended in accordance with the terms by which such monies were appropriated and that
82 accounts have been properly prepared (Nwaorgu, 2003; Johnson, 2004).

83 Though, internal audit has become a crucial function within organizations; insufficient attention
84 has been directed to this area of study when compared to external audit (Gendron & Bedard,
85 2006; Endaya & Hanefah, 2013). And, authors have suggested the need for studies on internal
86 audit in public sector entities of developing nations (Al-Twaijry, Brierley, & Gwilliam, 2003;
87 Mihret & Yismaw, 2007; Arena & Azzone, 2007, 2009). The study by Mihret and Yismaw (2007)
88 identified the need for effective internal audit function in public sector entities to support
89 effective management of public funds, and, links the effectiveness to effective management and
90 internal control of the entity.

91 However, a crucial question is what hampers the effectiveness of internal auditors in the
92 performance of their duties? The study by Ebimobowei and Binaebi (2013) identified
93 inadequate qualified manpower as a factor which retards proper auditing of local government
94 accounts in Bayelsa State, Nigeria. However, there seems to be a paucity of studies addressing
95 this area of public sector governance in Nigeria.

96 Moreover, recently there has been heightened interest in issues associated with the
97 independence and objectivity of internal auditors (Baharud-din, Shokiyah, & Ibrahim, 2014).
98 Also, is the issue of segregation of duties arising from the complexity of today's enterprise
99 systems (Ernst & Young, 2010). This gives impetus for the present study on internal audit
100 function and its challenges in public sector governance in Nigerian public sector entities.

101 **1.3 OBJECTIVE OF THE STUDY**

102 The main objective of this study is to empirically examine the challenges faced by internal
103 auditors in public sector audit in south-eastern Nigeria. The specific objectives of the study are
104 as follows:

- 105 1. To ascertain whether independence of internal auditors pose a challenge to internal
106 auditors of public sector entities.

2. To examine whether compliance with set out rules and regulations of public fund management pose a challenge to internal auditors of public sector entities.

3. To determine whether improper segregation of duties pose a challenge to internal auditors of public sector entities.

2.0 REVIEW OF RELATED LITERATURE

2.1 CONCEPTUAL FRAMEWORK

2.1.1 Nature and Scope of Internal Audit

Awe (2008) defines auditing as an ‘independent examination of the books and accounts of an organization by a duly appointed person to enable that person give an opinion as to whether the accounts give a true and fair view and comply with relevant statutory guidelines’. The American Accounting Association (1971) in its Statement of Basic Auditing Concepts described auditing as ‘a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between these assertions and established criteria and communicating the results to interested users’ (Hayes, Schilder, Dassen, & Wallage, 1999).

Internal audit can be defined as ‘An independent, objective assurance and consulting activity designed to add and improve an organization’s operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. According to this definition the major scope of internal auditors are making assurance to the organization and giving consultancy services to the overall managements of the entity (The Institute of Internal Audit (IIA), 2001).

The Statement on Auditing Practice (SAP-6) of the Institute of Chartered Accountants of India describes internal audit as “the plan of organization and all the methods and procedures adopted by the management of an entity to assist in achieving management’s objective of insuring, as far as possible, the orderly and efficient conduct of its business, including adherence

133 to management policies, the safeguarding of assets, prevention and detection of fraud and error,
134 the accuracy and completeness of accounting records and timely preparation of reliable
135 financial information”.

136 The function of an internal auditor is practically the same as that of an auditor. In addition to
137 that an internal audit has to see that there is no wastage and the business is carried on
138 efficiently and effectively. Again if an internal auditor finds that as a result of the inefficiency of
139 the management, the management the concern has suffered a loss, it is his duty to report the
140 fact.

141 **2.1.2 Reasons/Objectives of Internal Auditing**

142 Campbell cited in Okereson (2013) identified three major reasons why audit is carried out, as
143 follows:

- 144 a. The lending of credibility: that is to detect fraud and disclose hidden information.
- 145 b. To resolve conflicts of interest: there is need for the shareholder to be satisfied with the
146 management of their resources.
- 147 c. Accountability: the directors are the agents of the shareholders their performance needs to
148 be evaluated.

149 For the above objectives to be accomplished, the internal auditing department must perform
150 certain functions which must be in line with the requirement of the company or organizations’
151 internal control system. Some of the functions are enumerated below:

- 152 1. To ensure the safety of the organizations’ assets.
- 153 2. To review the internal control system to detect error and lapses with the aim to improve.
- 154 3. To ensure that management policies are executed and it the right time.
- 155 4. To ensure that management are supplied with quality information necessary to perform
156 their function as required by them.
- 157 5. To provide training for non-auditing officers in ensuring effective implementation in
158 internal control system.

159 6. To ensure that the internal control system of the organization is well designed and well
160 implemented.

161 7. To carry out investigation and audit committee.

162 8. To assist the internal auditors as may be required.

163 **2.1.3 Internal Audit Effectiveness**

164 According to Arena and Azzone (2009) effectiveness is “the capacity to obtain results that are
165 consistent with targets”. Dittenhofer (2001) “Effectiveness is the achievement of internal
166 auditing goals and objectives using the factor measures provided for determining such factors”.
167 In Mihret and Yismaw, (2007) internal audit effectiveness is defined as “the extent to which an
168 internal audit office meets its supposed objective or the extent to which it meets the intended
169 outcome”. Mihret and Yismaw (2007) described the characteristics of effective internal audit
170 unit from the internal audit point of view. Effective Internal Audit (IA):

- 171 1. Undertakes an independent evaluation of financial and operating systems and
172 procedures;
- 173 2. Contributes to the achievement of organizational goals;
- 174 3. Needs management’s commitment to implement recommendations;
- 175 4. Provides useful recommendations for improvements as necessary;
- 176 5. Affected negatively by lack of attention from management which in turn adversely
177 affects the auditee attributes; and Management support is a natural quid pro quo for
178 effective internal audit.

179 While; Sarens and Beelde (2006) point out the contribution and roles of internal audit in
180 organizations or corporate governance from the senior management’s expectation point of
181 view. Senior management expects internal audit:

- 182 1. To compensate for management’s loss of control resulting from increased organizational
183 complexity,

2. To be the safeguard of corporate culture through personal contacts with people in the field,
3. To be a supportive functions in the monitoring and improvement of the risk management and internal control system,
4. To be laid a training ground for future managers, and
5. To collaborate actively with the external auditors to increase total audit coverage.

2.1.4 Staffing and Competency of Internal Audit Departments

Staffing is crucial for the effective performance of internal audit departments, inadequate staffing can lead to mismanagement, error and abuse (MoFED, 2004). The size of internal audit staff and their competency are the critical characteristics of internal audit quality that can't be separated. This means at the absence of one dimension the other cannot contribute to the quality of internal auditors. The study by Al-Twaijry, Brierley, and Gwilliam (2004), in Saudi Arabia, suggests that external auditors believe that the size of internal audit is an important indicator of its quality. Also, Zain, Subramaniam, and Stewart (2006) argue that a larger size internal audit is likely to be better resourced, including having a broader work scope, higher organizational status and wider staff talent than a smaller unit.

Appropriate staffing of an internal audit department and good management of that staff are keys to the effective operation of an internal audit (Hailemariam, 2014). An audit requires professional staffs that collectively have the necessary education, training, experience and professional qualifications to conduct the full range of audits required by its mandate (Al-Twaijry, Brierley, & Gwilliam, 2004). Both the quantity of audit effort and the quality of professional care exercised will determine the overall quality of the internal audit work (Cohen & Sayag, 2010; Leung and Cooper, 2009; Belay 2007). According to Arena and Azzone, (2009) there is likelihood for internal audit effectiveness to increase when the ratio between the number of skilled internal auditors and employees grows.

2.1.5 Independence & Objectivity of Internal Auditors

According to Baharud-din, Shokiyah, and Ibrahim (2014) a factor that may contribute to effective government audit is the need for independence and objectivity which can allow the auditor to carry out work without interference by any party. The independence and objectivity of internal audit is with respect to both assurance services and consulting for the organization. In certain extent there is a confusion of the role of internal audit, as internal auditors are part of the management team and at the same time to independently evaluate management's effectiveness and efficiency (Baharud-din, Shokiyah, & Ibrahim, 2014). This could affect the effectiveness of internal auditing as even though internal auditors are charged with upholding the best interests of their employer, they may be reluctant to counter management, regardless of consequences (Saren & De Beelde, 2006).

2.1.6 Segregation of Duties (SoD)

Segregation of Duties (SoD) (also known as "Separation of duties") is the concept of having more than one person required to complete a task. In business the separation by sharing of more than one individual in one single task is an internal control intended to prevent fraud and error (Wikipedia, 2016). They are those controls, which ensure that separate individuals or groups of individuals carry out the main functions of an organization of authorization, executive, custody and recording (National Open University of Nigeria [NOUN]). This is to ensure that no one person is responsible for all aspects of a transaction. In other words, the job should be arranged in such a way that the work of one person is complementary to that of another or independently checked by another person so that fraud and error may be minimized or early detection maximized (NOUN). SoD is an internal control designed to prevent error and fraud by ensuring that at least two individuals are responsible for the separate parts of any task (SoD, 2016). SoD involves breaking down tasks that might reasonably be completed by a single individual into multiple tasks so that no one person is solely in control (SoD, 2016). According to Botha and Eloff (2001) described SoD as follows:

236 *Separation of duty, as a security principle, has as its primary objective the*
 237 *prevention of fraud and errors. This objective is achieved by disseminating the*
 238 *tasks and associated privileges for a specific business process among multiple*
 239 *users. This principle is demonstrated in the traditional example of separation of*
 240 *duty found in the requirement of two signatures on a cheque*

241 SoD stresses the fact that no individual should have excessive system access that enables them
 242 to execute transactions across an entire business process without checks and balances (Ernst &
 243 Young, 2010). Segregation of duties serves two key purposes (MaRS, 2014):

- 244 1. It ensures that there is oversight and review to catch errors
- 245 2. It helps to prevent fraud or theft because it requires two people to collude in order to
- 246 hide a transaction

247 **2.2 THEORETICAL FRAMEWORK**

248 The theories which this study relies upon are the *policemen theory and lending credibility theory*.

249 **2.2.1 The Policeman Theory**

250 This theory of auditing is based purely on the arithmetical accuracy and on the prevention and
 251 detection of fraud. This theory makes the auditor to detect and prevent errors and fraud in
 252 organizations. From the 1940s till present, there has been a shift of audit paradigm as
 253 compounded by recent financial statement frauds, such as those at Societe Generale, Satyam,
 254 Ahold, Enron, etc. There now is an ongoing public debate on the auditor's responsibility for
 255 detection and disclosure of fraud.

256 **2.2.2 The Lending Credibility Theory**

257 This theory of auditing regards the primary function of auditing to be the addition of credibility
 258 to the financial statements. Akinbuli (2010) states that audited financial statements can
 259 enhance stakeholders' faith in management's stewardship. If stakeholders such as stockholders,
 260 government, or creditors have to make their judgments based on the information they receive,
 261 they must have faith that this is a fair representation of the economic value and performances of
 262 the organization.

263

2.3 EMPIRICAL REVIEW

The study by Kpurugbara, Akpos, Nwiduuduu, and Tams-Wariboko (2016) examined auditing practices and procedures in the Nigerian local government service system using selected LGAs in Rivers-State as its study focus. The objectives of the study were to identify how auditor's independence and the process of auditor's appointment affect the performance of public auditors in Nigerian LGAs. Data for the study was gathered from a sample of 265 members of staff drawn from a population 781 across 15 selected LGAs in Rivers-state. The data gathered was analysed using the Kruskal Wallis test performed with the aid of SPSS. The results of the hypotheses test revealed that auditors' independence has an effect on the quality of audit report, and, the appointment processes also has an effect on the performance of public sector auditors.

The study by Baharud-din, Shokiyah, and Ibrahim (2014) investigates factors that contribute to the effectiveness of internal audit (IA) in the Malaysian public sector. It also aims to determine the relationship between factors that contribute to the effectiveness of IA works in promoting better transparency and integrity of public management. This study employs a cross sectional survey to investigate the effectiveness of internal audit. Several statistical techniques such as the descriptive statistic, correlation and regression analysis were used to analyse the data from the survey. The result of the study showed that there were significant positive relationships among the factors analyzed in this study such as auditor competency, auditors' independence and objectivity and management support to the effectiveness of internal audit.

The study by Ebimobowei and Binaebi (2013) examined the effectiveness of auditing of local government accounts in Bayelsa State, Nigeria. Primary data was collected using a well-structured and tested questionnaire from two hundred and forty six respondents in the eight local governments of Bayelsa State. The respondents were stratified to create subsets among different departments and then random sampling technique was used to select the number of subjects from each subset to collect data. The data was analyzed using descriptive statistics and

spearman rank order correlation coefficient. The findings of the study suggest that auditing ensures proper stewardship reporting, administrative interference and inadequate qualified manpower does retard proper auditing of local government accounts in Bayelsa State.

3.0 METHODOLOGY

3.1 RESEARCH DESIGN

The study utilized the descriptive survey research design. According to Chukwuemeka (2006), descriptive research 'tries to unravel the essential elements or characteristics of any phenomenon'.

3.2 POPULATION OF THE STUDY

The population of this study was drawn from ministries, parastatals and government offices in Anambra, state. The following offices were chosen based on qualification and expertise of personnel:

Table 3.1: Population of Respondents

S/No	Office	Staff
1	Office of the Accountant-General, Anambra State	37
2	Office of the Auditor-General, Anambra State	43
	Total	80

Source: Field Survey (2016)

A total of eighty personnel with experience in audit and accounting related tasks were identified.

3.3 SAMPLE AND SAMPLING TECHNIQUE

In determining the sample size of the study, Taro-Yamene (1964) formula for finite population was applied.

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

$$n = \frac{80}{1 + (80 \times 0.05^2)} = 66.67.$$

316 The study thereafter employed the bowley's proportional allocation formula to determine the
317 number units to be allocated to parastatal:

318
$$nh = \frac{nNh}{N}$$

319 Where nh = number of units allocated to each stratum.

320 n = total sample size

321 Nh = number of items in each stratum in the population.

322 *Office of the Accountant-General* $nh = \frac{67 \times 37}{(80)} = 31.98$
323
324 *Office of the Auditor-General* $nh = \frac{67 \times 43}{(80)} = 36.01$
325

326 4.0 PRESENTATION AND ANALYSIS OF DATA

327 4.1 QUESTIONNAIRE ADMINISTRATION

328 **Table 4.1:** Schedule of Questionnaire Administration

Respondents category	Number administered	Number returned	Number not returned
<i>Office of the Accountant-General</i>	32	29	3
<i>Office of the Auditor-General</i>	36	28	8
Total	68	57	11

329 **Source:** Field Survey (2016)

330 4.2 DEMOGRAPHIC PROFILE OF RESPONDENTS

331 **Table 4.2:** Demographic Profile of Respondents

Gender	Num.	Highest Academic Qualification:	Num.	Professional Affiliation:	Num.	Length of service in the organization:	Num.
Male	43	BSc/HND/BA	33	ANAN	44	1-5years	21
Female	14	MBA/MSc	21	ICAN	13	6-10years	18
		PhD	3			11 -15 Years	13
						16 and Above	5

332 **Source:** Field Survey (2016)

333

4.3 FREQUENCY DISTRIBUTION OF DATA

The tables below present the frequency distribution of the statements that make up the questionnaire used in the study.

Table 4.3: Frequency Distribution of Responses					
	SA	A	N	D	SD
The structure of the internal audit function has hampered the independence of internal auditors in the performance of their duties	17 [29.8%]	36 [63.2%]	1 [1.8%]	-	3 [5.3%]
The nature of appointment and recruitment process is a factor responsible for lack of independence of internal auditors	17 [29.8%]	25 [43.9%]	12 [21.1%]	-	3 [5.3%]
Internal auditors are most times not granted access to vital accounting records necessary for an objective performance of their duties	20 [35.1%]	21 [36.8%]	13 [22.8%]	-	3 [5.3%]
The domineering presence of the executive has hampered the independence of internal auditors in public sector entities	17 [29.8%]	18 [31.6%]	19 [33.3%]	-	3 [5.3%]
The stipulated procedures for payment, purchases and awards are most times not complied by senior managerial personnel	17 [29.8%]	19 [33.3%]	18 [31.6%]	-	3 [5.3%]
Officers who authorise payments and transactions do they regularly and willing submit records for verification when asked	43 [75.4%]	8 [14.0%]	3 [5.3%]	-	3 [5.3%]
Are we giving appropriate authority to report to an independent officer for necessary action and directives	27 [47.4%]	20 [35.1%]	7 [12.3%]	-	3 [5.3%]
Overlap of function has hindered the effectiveness and efficiency of internal auditors in public sector entities	43 [75.4%]	8 [14.0%]	3 [5.3%]	-	3 [5.3%]
The nature of distribution of tasks and responsibilities has posed a serious problem to auditors in Government ministries, parastatals, or agencies	27 [47.4%]	20 [35.1%]	7 [12.3%]	-	3 [5.3%]

Source: Field Survey (2016)

340 4.4 DESCRIPTIVE STATISTICS

341 The table below presents information on the descriptive statistics: mean and standard deviation
342 of the individual item responses.

Table 4.4: Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
The structure of the internal audit function has hampered the independence of internal auditors in the performance of their duties	57	1.00	5.00	4.1228	.88782
The nature of appointment and recruitment process is a factor responsible for lack of independence of internal auditors	57	1.00	5.00	3.9298	.99749
Internal auditors are most times not granted access to vital accounting records necessary for an objective performance of their duties	57	1.00	5.00	3.9649	1.03449
The domineering presence of the executive has hampered the independence of internal auditors in public sector entities	57	1.00	5.00	3.8070	1.04264
The stipulated procedures for payment, purchases and awards are most times not complied by senior managerial personnel	57	1.00	5.00	3.8246	1.03721
Officers who authorise payments and transactions do they regularly and willing submit records for verification when asked	57	1.00	5.00	4.5439	1.00125
Are we giving appropriate authority to report to an independent officer for necessary action and directives	57	1.00	5.00	4.1930	1.02537
Overlap of function has hindered the effectiveness and efficiency of internal auditors in public sector entities	57	1.00	5.00	4.5439	1.00125
The nature of distribution of tasks and responsibilities has posed a serious problem to auditors in Government ministries, parastatals, or agencies	57	1.00	5.00	4.1930	1.02537
Valid N (listwise)	57				

343 Source: SPSS Ver.22
344

As can be seen from the table, the mean responses for all nine items above had values greater than 3 with standard deviations. This is an indication of the respondents' agreement with respect to the various questions raised to address the objectives of this research.

4.5 TEST OF HYPOTHESES

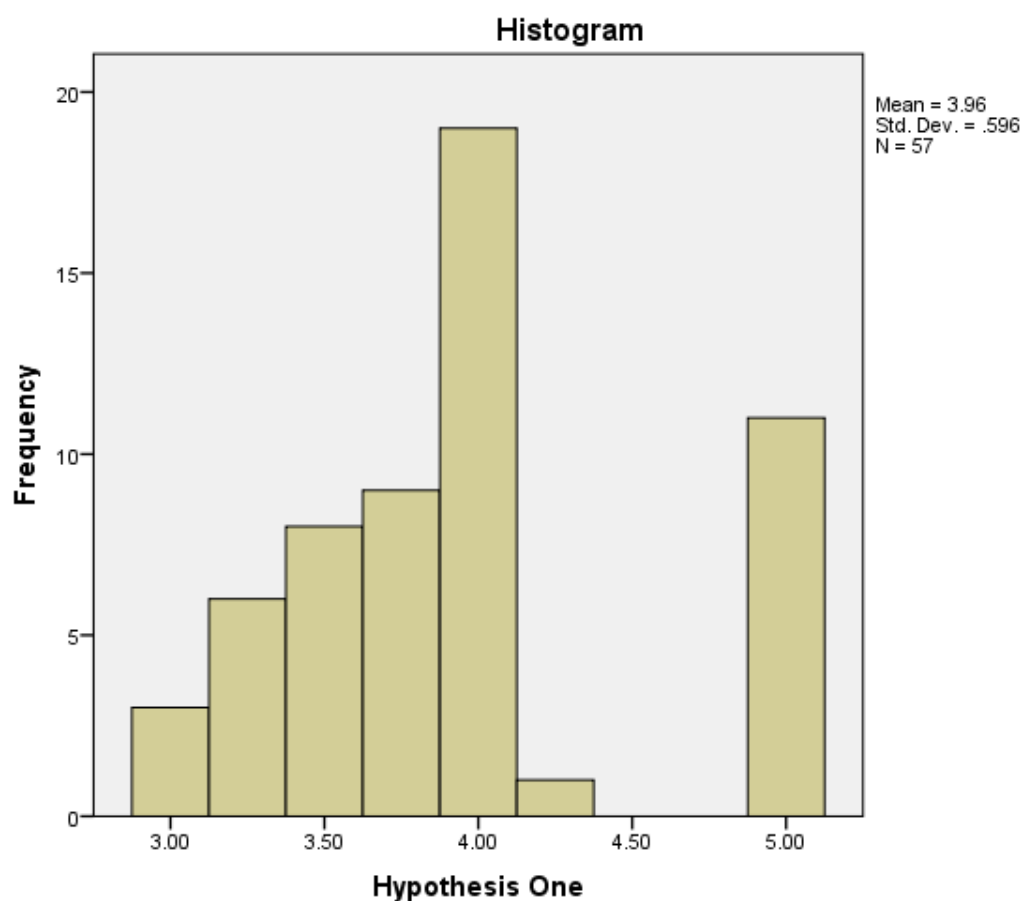
4.5.1 Test of Hypothesis One:

H₁: Independence of internal auditors poses a challenge to internal auditors of public sector entities

Normality Test

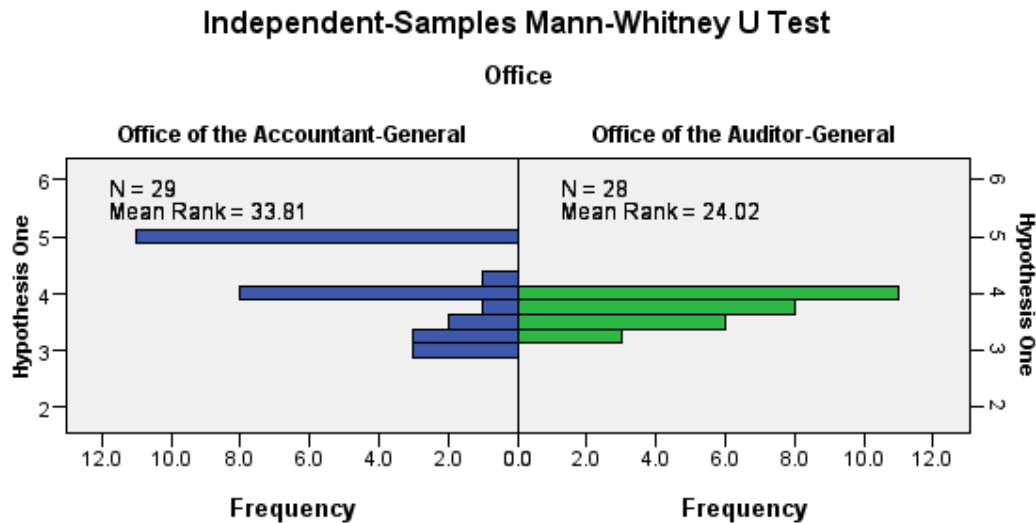
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Hypothesis One	.260	57	.000	.870	57	.000

a. Lilliefors Significance Correction



355

356 Decision: Since the p-values are less than the chosen alpha level, *then the null hypothesis is*
 357 *rejected*, thus there is evidence that the data are not from a normally distributed
 358 population.



Total N	57
Mann-Whitney U	266.500
Wilcoxon W	672.500
Test Statistic	266.500
Standard Error	60.998
Standardized Test Statistic	-2.287
Asymptotic Sig. (2-sided test)	.022

359

360 Decision: We reject the null hypothesis and accept the alternate, that '*Independence of internal*
 361 *auditors poses a challenge to internal auditors of public sector entities*'.

362

363

364 **4.5.2 Hypothesis Two:**

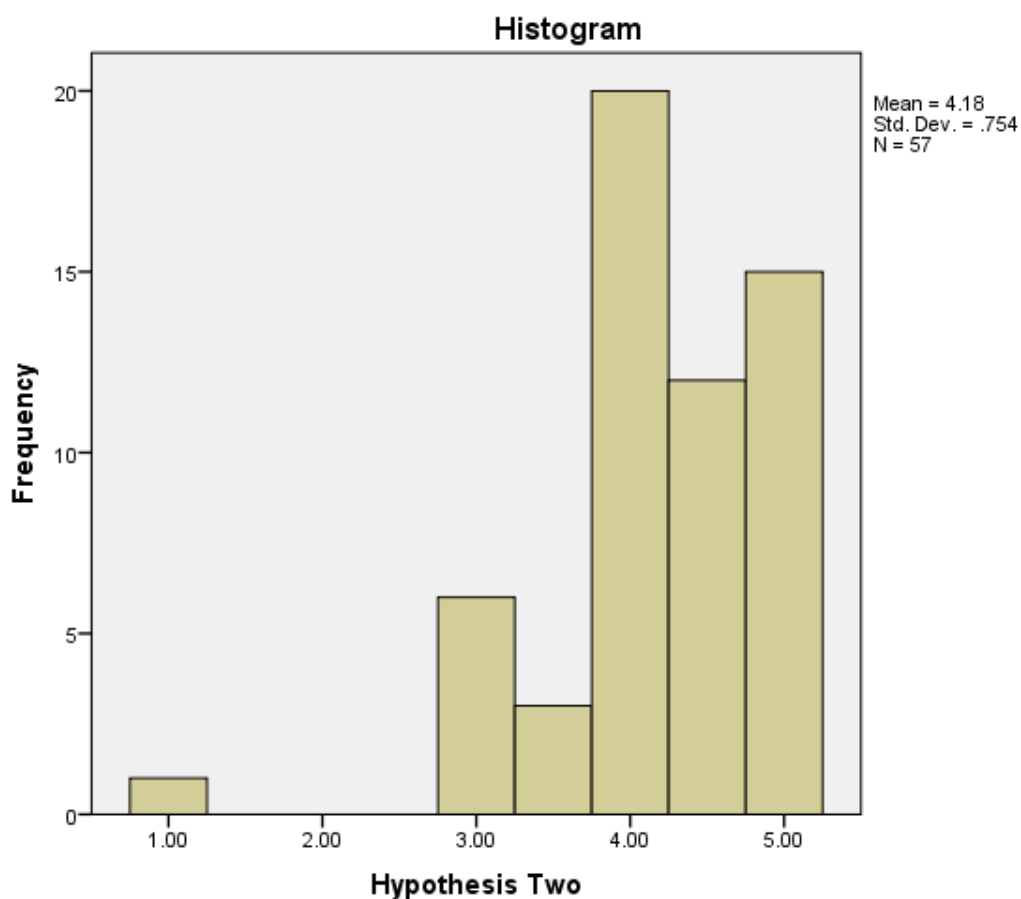
365 **H₁:** Compliance with set out rules and regulations of public fund management poses a
 366 challenge to internal auditors of public sector entities

367 **Normality Test**

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Hypothesis Two	.228	57	.000	.833	57	.000

a. Lilliefors Significance Correction

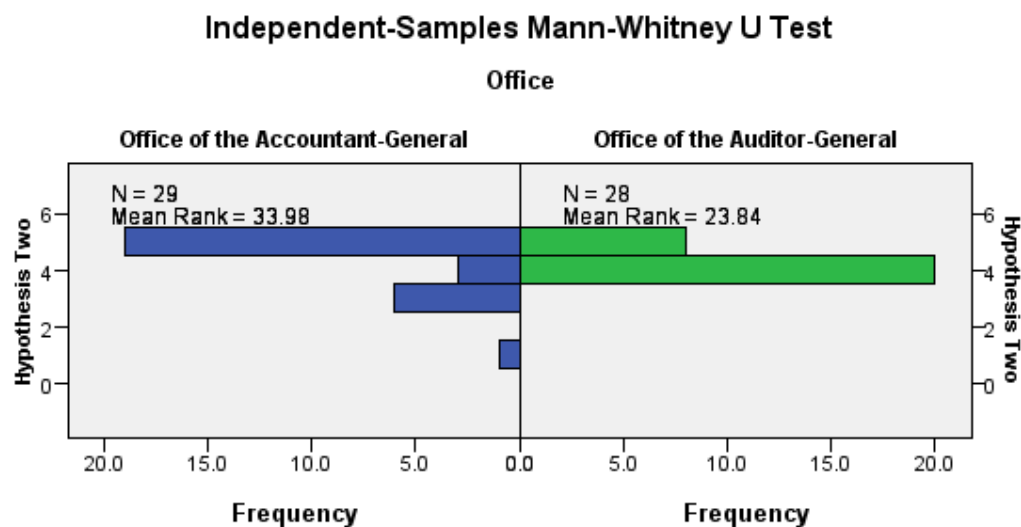
368



369

370 **Decision:** Since the p-values are less than the chosen alpha level, *then the null hypothesis is*
 371 *rejected*, thus there is evidence that the data are not from a normally distributed
 372 population.
 373

374



Total N	57
Mann-Whitney U	261.500
Wilcoxon W	667.500
Test Statistic	261.500
Standard Error	60.357
Standardized Test Statistic	-2.394
Asymptotic Sig. (2-sided test)	.017

375

376 Decision: We reject the null hypothesis and accept the alternate, that '*Compliance with set out*
 377 *rules and regulations of public fund management poses a challenge to internal auditors of public*
 378 *sector entities*'.

379 4.5.3 Hypothesis Three:

380 **H₁:** Improper segregation of duties poses a challenge to internal auditors of public
 381 sector entities

382

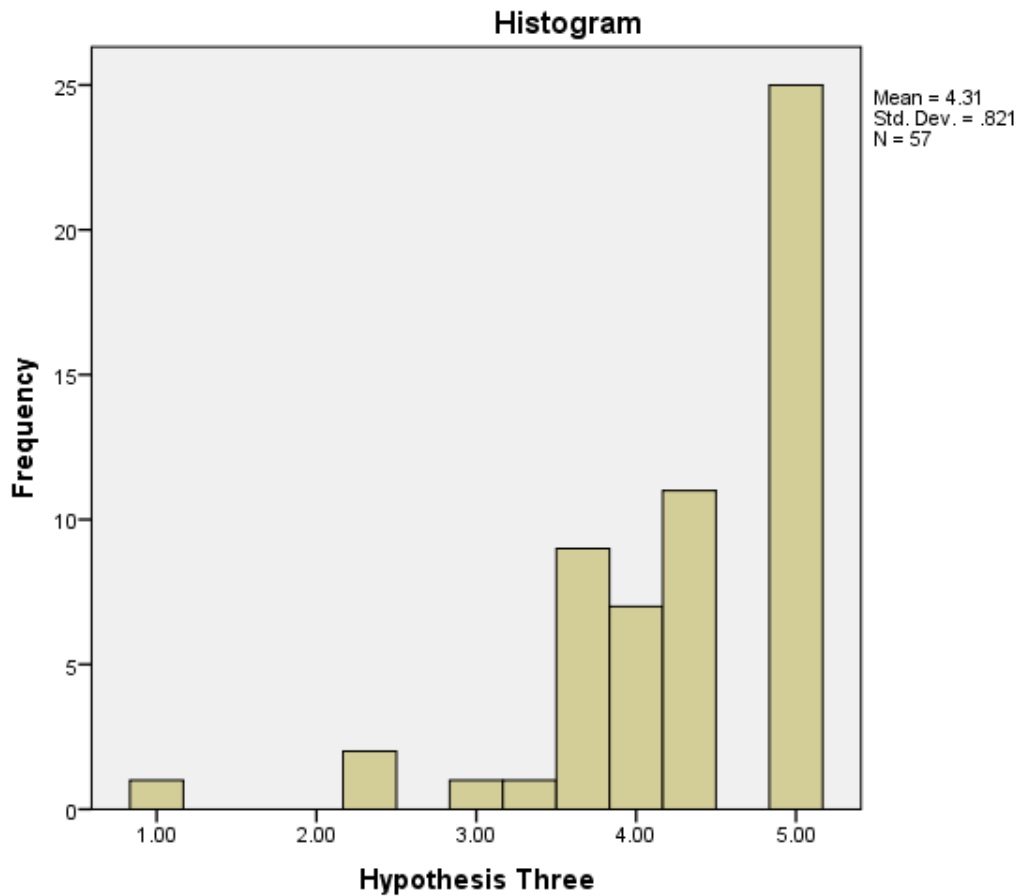
383

384 **Normality Test**

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Hypothesis Three	.238	57	.000	.789	57	.000

a. Lilliefors Significance Correction

385



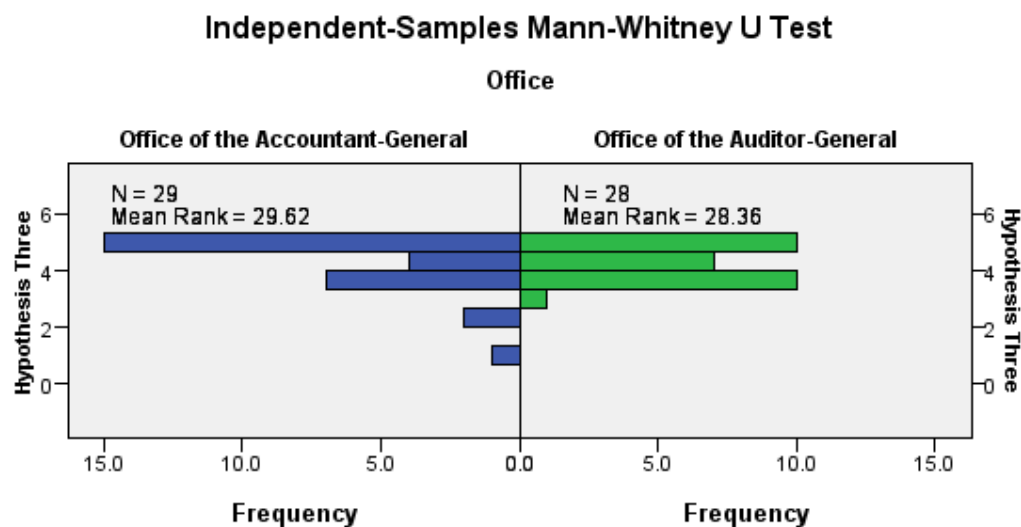
386

387

388 Decision: Since the p-values are less than the chosen alpha level, *then the null hypothesis is*
 389 *rejected*, thus there is evidence that the data are not from a normally distributed
 390 population.

391

392



Total N	57
Mann-Whitney U	388.000
Wilcoxon W	794.000
Test Statistic	388.000
Standard Error	59.527
Standardized Test Statistic	-.302
Asymptotic Sig. (2-sided test)	.762

393

394

395 Decision: We accept the null hypothesis and reject the null, that '*Improper segregation of duties*

396 *does not pose a challenge to internal auditors of public sector entities*'.

4.6 DISCUSSION OF FINDINGS

The study identified the following key challenges from respondents in public sector governance:

1. **Structure of Internal Audit Function:** 53 respondents (92.98%) agreed that the structure of the internal audit function has hampered the independence of internal auditors in the performance of their duties. The study by Kpurugbara, Akpos, Nwiduuduu, and Tams-Wariboko (2016) finds that auditors' independence has an effect on the quality of audit report;
2. **Overlap of Function:** 51 respondents (89.47%) agreed that overlap of function has hindered the effectiveness and efficiency of internal auditors in public sector entities. The study by Baharud-din, Shokiyah, and Ibrahim (2014) on factors that contribute to the effectiveness of internal audit (IA) significant positive relationships among the factors analyzed such as auditor competency, auditors' independence and objectivity and management support to the effectiveness of internal audit;
3. **Nature of Tasks Distribution:** 47 respondents (82.45%) agreed that the nature of distribution of tasks and responsibilities has posed a serious problem to auditors in Government ministries, parastatals, or agencies;
4. **Nature of Appointment:** 42 respondents (73.68%) agreed that the nature of appointment and recruitment process is a factor responsible for lack of independence of internal auditors. The study by Kpurugbara, Akpos, Nwiduuduu, and Tams-Wariboko (2016) finds that the appointment processes also has an effect on the performance of public sector auditors. Also, Ebimobowei and Binaebi (2013) finds that auditing ensures proper stewardship reporting, administrative interference, but however, that inadequate qualified manpower does retard proper auditing of local government accounts in Bayelsa State;

5. **Access to Vital Information:** 41 respondents (71.92%) agreed that internal auditors are most times not granted access to vital accounting records necessary for an objective performance of their duties.

5.0 SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

The findings from this study are briefly summarised below as follows:

1. The first hypothesis showed that, the independence of internal auditors poses a challenge to internal auditors of public sector entities. The grand mean score of the questions used in testing the first hypothesis showed a value of 3.96 (Mean > 3), the asymptotic sig. value of the Mann-Whitney U test was less than .05 (.022).
2. The second hypothesis showed that, the compliance with set out rules and regulations of public fund management poses a challenge to internal auditors of public sector entities. The grand mean score of the questions used in testing the first hypothesis showed a value of 4.18 (Mean > 3), the asymptotic sig. value of the Mann-Whitney U test was less than .05 (.017).
3. The third hypothesis showed that, the improper segregation of duties does not pose a challenge to internal auditors of public sector entities. The grand mean score of the questions used in testing the first hypothesis showed a value of 4.31 (Mean > 3), the asymptotic sig. value of the Mann-Whitney U test was greater than .05 (.762).

5.2 CONCLUSION:

This study was carried out to identify the challenges of internal audit function in public sector governance. Internal auditors are key to the effective functioning of any organisation, it is therefore imperative to identify the challenges they experience in the conduct of their duties. In more specific terms the study examined whether the independence of internal auditors, compliance with set out rules and regulations of public fund management and, improper segregation of duties pose challenges to internal auditors in public sector entities. The study

however identified the following key challenges from respondents in ascending order: the structure of the internal audit function; overlap of function; the nature of distribution of tasks and responsibilities; the nature of appointment and recruitment process; and, finally that, internal auditors are most times not granted access to vital accounting records necessary for an objective performance of their duties. It is against these findings that recommendations were proffered.

5.3 RECOMMENDATIONS

The following recommendations are outlined for policy and government implementation:

1. Ensuring the Independence of Internal Auditors in Public Institutions: Independence is fundamental to the performance of an effective and efficient audit by an auditor. Independence can be ensured by ensuring that the structures of the internal audit function, such as, who to report to, the appointment and recruitment process, etc. are such that can ensure objectivity and independence in the performance of their duty. Internal auditors should report to the highest level of management and should not be put in a situation where their employment, promotion and remuneration are determined by middle-level management (NOUN).
2. Compliance with Rules and Regulations of Public Fund Management: In most Nigerian public sector entities, officers and chief executives do not comply with the stipulated rules and procedures of public sector fund disbursement, this negative approach is thereby discouraged and appropriate measures need to be instituted to tackle this effectively.

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630 APPENDIX 1: RESEARCH INSTRUMENT

631 SECTION A: BACKGROUND INFORMATION

632 **Instruction:** Please tick (✓) for the applicable option or provide appropriate answer where
633 necessary

- 634 1. Gender: Male [] Female []
- 635 2. Highest Academic Qualification: BSc/HND/BA [] MBA/MSc [] PhD []
- 636 3. Professional Affiliation: ANAN [] ICAN []
- 637 4. Length of service in the organization: 1-5years [] 6-10years [] 11 -15 Years []
638 16 and Above []

639 SECTION B: Study Related Questions

640 Using the following scale SA-Strongly Agree; A-Agree; ID-Indifferent; D-Disagree; and SD-
641 Strongly Disagree, tick the responses applicable to you in all cases.

643

S/N	Statement	SA	A	UD	D	SD
1	The structure of the internal audit function has hampered the independence of internal auditors in the performance of their duties					
2	The nature of appointment and recruitment process is a factor responsible for lack of independence of internal auditors					
3	Internal auditors are most times not granted access to vital accounting records necessary for an objective performance of their duties					

4	The domineering presence of the executive has hampered the independence of internal auditors in public sector entities					
5	The stipulated procedures for payment, purchases and awards are most times not complied by senior managerial personnel					
6	Officers who authorise payments and transactions do they regularly and willing submit records for verification when asked					
7	Are we giving appropriate authority to report to an independent officer for necessary action and directives					
8	Overlap of function has hindered the effectiveness and efficiency of internal auditors in public sector entities					
9	The nature of distribution of tasks and responsibilities has posed a serious problem to auditors in Government ministries, parastatals, or agencies					

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