

THE ROLE OF INTERNAL AUDITING IN THE EFFECTIVE MANAGEMENT AND CONTROL OF THE AFFAIRS IN LGAS IN NIGERIA (KALTUNGO LGA)

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ABSTRACT

The objective of this research is to find out the role of internal auditing in the effective management and control in the affairs of Kaltungo local government and whether the functions of the internal audit department are performed in compliance with the established standards, policies and how much it has succeeded in achieving the objective of the local government and finally, to find out the benefits that may be derived from effective audit control system in the affairs of the local government. It is expected that at the end of the research, it should have been established that the local government areas are faced with lot of problems such as ineffective audit control system. The researcher used questionnaires as the instrument for the data collection. Descriptive Survey research design was adopted for this study. It was obtained from staff of the Local government, staff of the state ministry of local government affairs, through questionnaires and interviews. The total population for the study is 200 persons, 140 staff of Kaltungo local government area, 10 staff of Gombe state ministry of local Government affairs and 5 staff each from the other 10 local government areas of Gombe State. A total of 133 respondents was used for the study. The data collected were presented in tables and analyzed using simple percentages and frequencies. The end result showed that there was need for the internal audit unit of Kaltungo local government to reactivate its accounting and financial reporting review engine and maintain sufficient and appropriate documentation of work done to provide a basis for the external auditor's reliance on internal audit work.

Keywords: Internal Auditing, Effective management, Control, Kaltungo LGA.

1. INTRODUCTION

In developing economies like Nigeria, local government areas represent one of the most dominant economic forces; perhaps due to the fact that government constitutes the largest single business entity and her pattern of expenditure through its various ministers, agencies and departments stimulate a lot of economic activities.

The gap of this study which is to ascertain the role of internal auditing towards the effective management and control of the affairs in Local Government areas in Nigeria with reference to Kaltungo Local Government Area of Gombe State.

Local governments set their economic agenda for the nation, this implies that a robust system of internal checks needs to be put in place to provide assurances that funds are used for the purposes which they were meant for. One major way of achieving this, is the institution of internal audit. In

the absence of effective internal audit, individuals with questionable character may exploit inherent loopholes to their own advantage. It is argued that the historically centralized and hierarchical structure of the public sector, with its complex bureaucratic procedures tend to provide some level of comfort to those entrusted with the disbursement of public funds. Consequent upon some layers of control embedded in the local government, those responsible do not often see the need for another institutional layer (internal audit) to strengthen public assurance of accountability. Before 1980s, internal audit existed in a rudimentary form in both private and public sectors. Vani (2010) states that even in the private sector, internal audit was largely confined to checking compliance with organizational policies and procedures and verifying the existence of assets. In the public sector, the responsibility was essentially carried out by different strata of the bureaucracy and thus, the need for additional checks through internal audit was never acutely felt. This research investigation falls within the area of internal auditing in Kaltungo local Government area. Internal auditing is an audit function which is being used by local governments as a part of its overall system of internal control. Such auditing is carried out by local government employees who are responsible to the local government management. The activities of internal auditors were originally intended to verify secrecy and dependability of the accounting systems, data and information but currently, they are operating in non-accounting functions, verifying local government operation and efficiency.

From the foregoing, internal auditing is therefore, a day to day verification process which operates continuously throughout the local government's financial year. According to Akanyanwu (1990), internal auditing is "The independent appraisal within a local government accounting system, and all other operations as a basis for protective and advisory services to management".

The new civil service moves, was designed to make the service more functional, professional, productive and responsive to the socio-economic needs of the nation. The federal government has also recently revamped and restructured the local government system to enable it perform its role of promoting, coordinating and implementing community services, enhancing citizens' participation and maximizing the use of local resources.

The federal government of Nigeria came up with a financial instruction in 1979, instructing all local government to set up internal audit unit in each local government, but the behavior and attitude of operations in the local government system, resulted in many local governments not setting up internal audit units or if set up, were not functional. The federal government in 1988 set in motion, a real wave of change. A real frame work of internal auditing in the local government was spelt out in order to make it less difficult for management of the local government to have perfect control of the activities of staff of the local government as the greatest contributing factor to the poor performances of the local governments.

The local government administration has the chairman at top of affairs, followed by his deputy, then comes the secretary, the personnel executive officer (PEO), the treasurer and the internal auditor. The internal auditor reports to the auditor general of the state through the executive chairman of the local government. Obviously, the role of an internal auditor in the running of the local government administration is quite essential to guarantee effective management. However, there are some bottlenecks which forestall proper internal audit assignment. Given these, this research work will provide an opportunity for us to evaluate the activities of the internal audit department.

The local government has three broad sources of revenue; they include 20% direct revenue from

the federation account, 10% of internally generated revenue of the state government and revenue internally generated by the local government. The internal source available to the local government area include, rents from market stores, royalty paid by some resident companies in a local government, contractors' registration, and sales of car/bus emblems etc. The low performance of the local government authorities in Nigeria motivated us to carry out this research, since the local government has a whole lot of possible source of revenue, the problem therefore includes:

- How can efficient management controls be achieved?
- What is the role of internal auditing in ensuring this control?
- How can the internal auditing be made a useful tool for management control?

The objectives of the study are;

- To find out the role of internal auditing in management control in local government.
- To find out whether the function of the internal audit department is performed in compliance with the established standards and policies and how much it has succeeded in achieving the objective of the local government.
- To find out the benefit that may be derived from effective audit control system in local government.

2.MATERIALS AND METHODS

The researcher used descriptive research survey design in building up this project work the choice of this research design was considered appropriate because of its advantages of identifying attributes of a large population from a group of individuals. The design was suitable for the study as the study sought the role of internal auditing in the effective management control of local government

2.1 Population of the Study

The researchers will use both the primary and secondary source of data, which will be obtained from staff of the Local government, staff of the state ministry of local government affairs, through questionnaires and interviews. The total population for the study is two hundred (200) persons, one hundred and forty (140) staff of Kaltungo local government area, ten (10) staff of Gombe state ministry of local Government affairs and five (5) staff each from the other ten (10) local government areas of Gombe State. Meanwhile, the study will begin with staff of Kaltungo local government area.

2.2 Sample and sampling procedure

Sample is the set people or items which constitute part of a given population sampling. Due to large size of the target population, the researcher used the Taro Yamani formula to arrive at the sample population of the study.

$$\begin{aligned} n &= \frac{N}{1+N(e)^2} \\ n &= \frac{200}{1+200(0.05)^2} \\ &= \frac{200}{1+200(0.0025)} \\ &= \frac{200}{200} \end{aligned}$$

$$1+0.5 = 1.5 = 133.$$

2.3 Instrument and sources of data collection

The major research instrument used in this research work is the questionnaires. This was appropriately moderated. The secretaries were administered with the questionnaires to complete, with or without disclosing their identities. The questionnaire was designed to obtain sufficient and relevant information from the respondents. The primary data contained information extracted from the questionnaires in which the respondents were required to give specific answer to a question by ticking in front of an appropriate answer.

2.4 Method of data analysis

The data collected was not an end in itself but it served as a means to an end. The end being the use of the required data to understand the various situations, with a view to making valuable recommendations and contributions. To this end, the data collected has to be analyzed for any meaningful interpretation to come out with some results. It is for this reason that the following methods were adopted in the research project for the analysis of the data collected. For a comprehensive analysis of data collected, emphasis was laid on the use of absolute numbers frequencies of responses and percentages. Answers to the research questions were provided through the comparison of the percentage of workers response to each statement in the questionnaire related to any specified question being considered.

Frequency in this study refers to the arrangement of responses in order of magnitude or occurrence while percentage refers to the arrangements of the responses in order of their proportion. The simple percentage method is believed to be straight forward easy to interpret and understand method.

The researcher therefore chooses the simple percentage as the method to use.

The formula for percentage is shown as.

$$\% = f/N \times 100/1$$

Where f = frequency of respondent's response

N = Total Number of responses for the sample

100 = Consistency in the percentage of respondents for each item contained in the questionnaire.

3. RESULTS

The data collected from the respondents were analyzed in tabular form with simple percentage for easy understanding.

A total of 133(one hundred and thirty-three) questionnaires were distributed and 133 questionnaires were returned.

Question 1

Gender distribution of the respondents.

TABLE I

Gender distribution of the respondents

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Male	83	62.41	62.41	62.41
Valid Female	50	37.59	37.59	100.0
Total	133	100.0	100.0	

From the above table it shows that 57.9% of the respondents were male while 42.1% of the respondents were female.

Question 2

The positions held by respondents

TABLE II
The positions held by respondents

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Staff of Kaltungo LGA in Gombe state	95	71.4	71.4	71.4
Valid Staff of Gombe state Ministry of LGA affairs	8	6	6	77.4
Staff of other LGAs in Gombe state	30	22.6	22.6	100
Total	133	100.0	100.0	

The above tables show that 95 respondents which represents 71.4% of the response are staff of Kaltungo LGA in Gombe state, 8 respondents which represents 6% are staff of Gombe state ministry of local government affairs and 30 respondents which represents 22.6% of the respondents are staff of other local government areas in Gombe state which are 10 in number i.e. 3 respondents from each local government area.

TEST OF HYPOTHESES

Internal auditing plays any role in management control in local Governments

Table III
Internal auditing plays any role in management control in local Governments

Rponse	Observed N	Expected N	Residual
Agreed	40	33.3	6.7
strongly agreed	50	33.3	16.7
Disagreed	26	33.3	-7.3
strongly disagreed	17	33.3	-16.3
Total	133		

Test Statistics

	Internal auditing plays any role in management control in local Governments
Chi-Square	19.331 ^a
Df	3
Aymp. Sig.	.000

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 33.3.

Decision rule:

The researcher therefore rejects the null hypothesis which states that Internal auditing does not play any role in management control in local Governments as the calculated value of 19.331 is greater than the critical value of 7.82.

Therefore, the alternate hypothesis is accepted, which states that Internal auditing play any role in management control in local Governments.

TEST OF HYPOTHESIS TWO

Internal audit department perform its duties in compliance with the established standards and policies

Table V

Internal audit department perform its duties in compliance with the established standards and policies

Response	Observed N	Expected N	Residual
Yes	73	44.3	28.7
No	33	44.3	-11.3
Undecided	27	44.3	-17.3
Total	133		

Test Statistics

	Internal audit department perform its duties in compliance with the established standards and policies
Chi-Square	28.211 ^a
Df	2
Asymp. Sig.	.000

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 44.3.

Decision rule: The researcher therefore rejects the null hypothesis which states that Internal audit department do not perform its duties in compliance with the established standards and policies as the calculated value of 28.211 is greater than the critical value of 5.99.

Therefore, the alternate hypothesis is accepted that state Internal audit department perform its duties in compliance with the established standards and policies.

4. DISCUSSION

It is pertinent to state that the essence of this study was to ascertain the role of internal auditing towards the effective management and control of the affairs in Local Government areas in Nigeria with reference to Kaltungo Local Government Area of Gombe State. In the previous chapter, the important data collected for this study were stated out, critically analyzed and appropriate interpretations were given. In this chapter, relevant recommendations will be made which will be of immense relevance to the role of internal auditing towards the effective management and control of the affairs in Local Government areas in Nigeria with reference to Kaltungo Local Government Area of Gombe State. This research was on the role of internal auditing towards the effective management and control of the affairs in Local Government areas in Nigeria with reference to Kaltungo Local Government Area of Gombe State. Similarly, three objectives were raised which include: - to find out the role of internal auditing in management control in local government, to find out whether the function of the internal audit department are performed in compliance with the established standards and policies and how much it has succeeded in achieving the objective of the local government and to find out the benefit that may be derived from effective audit control system in local government. In line with these objectives, two research hypotheses were formulated and two null hypotheses were posited. The total population for the study is 200 staff which comprised of staff of Kaltungo LGA, Gombe state ministry of local government affairs and staff from other local governments in Gombe state. The researcher used questionnaires as the instrument for the data collection. Descriptive Survey research design was adopted for this study. A total of 133 respondents made of staff of Kaltungo LGA, Gombe state ministry of local government affairs and staff from other local governments in Gombe state. The data collected were presented in tables and analyzed using simple percentages and frequencies. This study depicted the status of internal audit at local government in Nigeria; it is a conceptual literature review. The study contributes to the existing literature on internal audit at local government particularly

Nigeria. Therefore, more research is required to be conducted in internal audit at local government in order to contribute on the improvement of internal audit status at local and also to contribute in internal auditing literature. The weak relationship identified in this study between internal audit and external audit effectiveness can be attributed to the inability of the internal audit unit of the local government surveyed to effectively review accounting records maintained and financial reports prepared by the bursary unit. There is therefore need for the internal audit unit of Kaltungo local government to reactivate its accounting and financial reporting review engine and maintain sufficient and appropriate documentation of work done to provide a basis for the external auditor's reliance on internal audit work.

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