

Promoting Good Governance through Internal Audit Function (IAF): The Nigerian Experience

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Abstract

The subject of governance has become a pertinent issue for business, government, politics, and the general public. In both the private and the public sectors, there is an increasing demand for good governance in terms of accountability and transparency, and internal audit function within organizations has an important role to play in the achievement of these objectives. This study therefore assessed the effects of internal audit function (IAF) on good governance in the public sector in Nigeria. Primary data was obtained through the administration of structured questionnaire to purposively selected respondents comprising Head of Internal Audit, Director of Finance and Supplies, and Head of Local Government Administration, in 33 public sector organizations in Oyo State, Southwestern Nigeria. A total of 99 respondents participated in the study. IAF was measured by independence of internal audit system, scope of work, professional competence, examination process, and management support, while quality of service, management of public resources measured good governance. Data obtained was analysed using correlation analysis and multiple regression technique. The results showed that the effectiveness of IAF in Nigerian public sector organisations was moderate since internal audit system in the public organisations was not absolutely independent and professional competence was limited due to the challenge of insufficient funds to successfully carry out its duties. Moreover, the study revealed that IAF had significant and positive effect on the quality of service delivery and management of resources in the public organisations. The study concluded that internal Audit function is a veritable tool for promoting good governance in the Nigerian Public Sector. This study therefore recommended that there should be legal mandate in public sector organisations that allows government information to be publicly published and special funds should be made available to internal auditors as it would enhance effectiveness of internal audit function and boost good governance in the organisations.

Keywords: internal audit function, good governance, quality of service, management of resources, accountability

1. Introduction

Good governance became a highly topical business issue at the beginning of the 21st century following a series of large corporate scandals and failures. Good governance refers to government agencies' conduct in implementing innovative policies and programs to increase the quality of public service with the ultimate aim of increasing economic growth (Grindle, 2004; Hellman *et al.*, 2000). Such innovative policies and programs address governance aspects such as transparency, accountability, participation and professionalism (Liddle and Mujani, 2005). Good governance leads to good management, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with mechanisms for management of risk (OECD, 2004).

No governance system, no matter how well designed, will fully prevent greedy, dishonest people from putting their personal interests ahead of the interests of the organizations they manage. However, certain steps can be taken to improve good governance and thereby reduce opportunities for accounting fraud and irregularities. The auditing profession has an important role to play in the achievement of such objectives through the internal audit function available within organizations. IAF comprises independence of internal audit system, scope of work, professional competence, examination process, and management support.

Internal auditing is an independent, objective assurance and consulting activity designed to assess the effectiveness of

the control environment, add value, and improve an organization's operations. Internal audit evaluates the adequacy of the system of internal controls and makes recommendations to management to improve these controls. A system of internal controls consists of policies and procedures designed to provide management with reasonable assurance that the organization achieves its objectives and goals (Monday *et al.*, 2014). Internal audit function (IAF) is part of the internal monitoring system of the organization and therefore should be positioned within the organization such that the independence of internal auditors can be guaranteed. Internal auditing has been found to be an instrument for improving public sector management (Unegbu and Kida, 2011).

Public sector organisations in Nigeria are shouldered with the responsibility of ensuring good governance in order to provide quality services to citizens or the public. The authority of such organisations is entrusted with public resources and charged with the task of ensuring their proper management. In order to handle the management of resources entrusted to the officials, laws and regulations are enacted to control expenditures and sources of financing these expenditures. To ensure adherence to financial regulations, laid down procedures, policies and plans, internal audit units are established (Badra, 2012). Thus, internal audit function plays a significant role in promoting good governance in public sector administration.

While there has been considerable empirical exploration on the role of internal audit in boosting corporate performance in the private sector, there has been little work done in Nigeria on the role of internal audit function in promoting good governance in public sector. Therefore, this study aimed at filling the gap by providing empirical evidence on the effect of internal audit function on good governance in public organisations in the Southwestern Nigeria. In order to meet this objective, the study focused on the following specific objectives which were to examine the effectiveness of internal audit function in the public sector organisations, evaluate the relationship between internal audit function and quality of service delivery, and investigate the effect of internal audit function on management of public resources.

2. Literature Review

2.1 Internal Auditing

According to the Institute of Internal Auditors (IIA, 2006: 14), internal auditing is “an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. 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”. This definition reveals the scope of modern internal auditing which includes value for money, evaluation of risk, managerial effectiveness and governance processes. Unegbu and Obi (2007) defined internal audit as part of the Internal control system put in place by management of an Organization to ensure adherence to stipulated work procedure and as aid to management. They emphasized that internal audit measures, analyses and evaluates the efficiency and effectiveness of other controls established by management with a view to ensure cost minimization, benefit maximization, capacity utilization, and smooth administration.

The relevance of internal auditing in any organisation is anchored by three pillars. The first is governance which relates to how an organisation is managed - its corporate and other structures, its culture, its policies and strategies and the way it deals with its various stakeholders (ANAO, 2014). It also includes activities that ensure credibility, establish equitable provision of services, and assure appropriate behaviour of government officials whilst reducing the risk of public corruption (IIA, 2008). Governance encompasses the manner in which public sector organisations conduct their responsibilities of stewardship by upholding transparency, accountability and prudence in decision-making. Internal auditing helps to improve governance processes by focusing on how values are established to ensure effective and efficient control and management of public sector organisations (Rahmatika, 2014).

The second is the control (or internal control) which refers to all the policies and procedures put in place by management for promoting accountability of resources (Monday *et al.*, 2014). Control structures include strategic planning (including budgeting), managerial activities (procurement and asset management), accounting and reporting, internal and external audit, and legislative oversight. Controls are mainly in-built in the financial management system whose objectives include fiscal discipline, allocation of resources to priority needs, and efficient and effective allocation of services (Asaolu *et al.*, 2005). Internal audit has the key function of reporting to the top management of the organisation on the functioning of the management control systems, and recommending improvement where applicable.

The third pillar is risk management. Risk management constitute an essential part of the strategic management process of any organisation involved in the implementation of development strategies (Monday and Aladeraji, 2015). Risk is the possibility of an event or activity impacting adversely on an organisation, preventing it from achieving organisational outcomes. Risk management comprises the activities and actions taken to ensure that an organisation is conscious of the risks it faces, makes informed decisions in managing these risks, and identifies and harnesses potential opportunities (ANAO, 2014). Internal audit's role in risk management involves assessing and monitoring the risks that the organization faces, recommending the controls required to mitigate those risks, and evaluating the trade-offs necessary

for the organisation to accomplish its strategic and operational objectives.

2.2 Internal Audit Function (IAF)

Independence of internal audit system: Several studies have identified independence of the internal audit as a key element of internal audit effectiveness (CIPFA, 2006; Ali *et al.*, 2007; Kuta, 2008; Rahmatika, 2014). The independence can only be achieved by allowing the internal audit department to perform its responsibilities free from interference; avoiding conflict of interests; having direct contact with the board and senior management; having unrestricted access to records, employees and departments; the appointment and removal of the heads of internal audit not being under the direct control of executive management (IIA, 2008).

Professional Competency: Staff competence is clearly identified in the literature as another key element of internal audit effectiveness. For internal auditors to effectively carry out their duties and responsibilities, they need to possess the requisite knowledge, skills and other competencies. Many previous academic studies (van der Schyf, 2000; Gwilliam and El-Nafabi, 2002; Mulugeta, 2008) have focused on the need for audit personnel to be appropriately qualified if a high level of internal audit effectiveness is to be achieved.

Scope of Work: The scope of work is also an important determinant of internal audit effectiveness. Specifically, the sufficiency of internal audit's scope of work and the standard with which the audits are planned, executed and reported are important illustrations of effective internal audit (Al-Twaijry *et al.*, 2003).

Examination Process: The examination process is crucial to the internal auditor in compiling and generating his audit reports. This process includes conducting interviews, analyzing data, comparing viewpoints and generally examining the subject area critically. The internal audit unit also incorporates best practices to help evaluate whether processes are running optimally. If exceptions are identified, these observations are collected and discussed with the management.

Management Support: Top management has an important say in the resources devoted to the internal audit units. They are also likely to give input to the internal audit work plan which provides the internal audit department with the empowerment required for it to perform its duties and responsibilities (Ali *et al.*, 2007).

2.3 Good Governance

The term governance like corruption is a broad topic that could be subjected to varied and diversified interpretations and beliefs, and therefore may be quite difficult to measure to any reasonable degree of reliability; hence no single definition may be sufficient for the concept of governance. According to Downer (2000: 17), "governance is the exercise of power or authority -political, economic, administrative or otherwise - to manage a country's resources and affairs. It comprises the mechanisms, processes and institutions, through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences". Governance includes activities that ensure a government's credibility, establish equitable provision of services, and assure appropriate organization of government officials to reduce the risk of public corruption (IIA, 2006).

Ogundiya (2010) argued that many people may differ about the best means of achieving good governance, but they quite consent that good governance is very important for social and economic progress. The Organization for Economic Cooperation and Development (OECD) defines good governance "as a concept consisting of a set of principles that address the effective functioning of government, the relationship of citizens and the parliament as well as the relationship of government. These principles consist of respect for rule of law, openness, transparency and accountability to democratic institutions, fairness and equity in dealing with the citizen's" (OECD, 2004: 28).

Researchers at the World Bank Institute have distinguished six main dimensions of good governance. These include voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption. Corruption to them is seen as a major hindrance to good governance and that any state which implements these good governance principles or dimensions is expected to achieve success (Kaufmann, Kraay & Mastruzzi, 2005). Good governance is, among other things, participatory, transparent and accountable. It is also effective and equitable, and it promotes the rule of law. It ensures that political, social and economic priorities are based on broad consensus in society and that the voices of the poorest and the most vulnerable are heard in decision-making over the allocation of development resources.

2.4 Review of Empirical Studies

Several studies have been conducted on the relationship between internal audit function and promotion of good governance which has received increasing attention in recent times. Belay (2007) conducted a study on effective implementation of internal audit function to promote good governance in the public sector in Ethiopia. The study revealed that the internal audit function in the public sector had less satisfactory involvement to assess the effectiveness of governance structure due to lack of resources, poor leadership for internal audit function, absence of appropriate

frame work to measure internal audit function performance, and lack of competent personnel.

Ali *et al.* (2007) examined the role of internal audit in promoting good governance in the State and Local Governments of Malaysia. The study employed in-depth interview via face-to-face and telephone modes. Using descriptive statistics, the findings showed that the internal audit function in the Malaysian State and Local Governmental Bodies had less satisfactory contribution to the effectiveness of good governance due to lack of audit personnel and lack of requisite skills and competency by the audit personnel. However, there was independence of internal auditors and top management support to internal audit processes in the organisations

Kuta (2008) investigated the effectiveness of auditing for proper accountability in Nigerian Local Governments. The study revealed that auditing in Nigeria Local Governments is ineffective. Factors responsible for the ineffectiveness were lack of independence of the internal auditors, non-preparation of an audit programmed, insufficient funds, lack of understaffing and that due recognition is not accorded to auditor's reports and recommendations. Similarly, Ahmad *et al.* (2009) investigated the effectiveness of internal audit in Malaysian public sector. The study revealed that that the lack of qualified audit staff was ranked as the major problem faced by internal auditors in conducting an effective internal auditing.

Cohen and Sayag (2010) assessed the effectiveness of internal auditing in public organizations in Israel. Professional proficiency of internal auditors, quality of audit work, organizational independence, career and advancement and top management support were the variables used to determine internal audit effectiveness. The findings of the study showed that top management support was the most crucial to the operation and success of internal audit. This implied that other determinants of internal audit effectiveness depend on top management support for internal audit activity.

Unegbu and Kida (2011) conducted a study on the effectiveness of internal audit as instrument to improve public sector management in Kano State of Nigeria. Using Chi-square statistical tool to test the hypotheses, the study showed that internal audit contributes positively to good governance in the public sector by effectively checking fraud and fraudulent activities. In a related study by Suyono and Hariyanto (2012), they examined the relationship between internal control, internal audit and organisational commitment with good governance in Indonesia. Employing multiple linear regression analysis, the results showed that internal audit, internal control and organizational commitment had significant relationship with good governance.

Rahmatika (2014) examined the impact of internal audit function effectiveness on quality of financial reporting and its implications on good governance in Local Government Provinces in Indonesia. Employing structural equation modelling (SEM), the results showed that the effectiveness of the internal audit function had significant effect on the quality of financial reporting; internal audit function had significant effect on good governance application, and quality of financial reporting had significant effect on good governance application.

Barasa (2015) examined statistical analysis of the role of internal audit in promoting good governance in public institutions in Kenya. Internal audit function was measured by risk management, control process, and governance process, while accountability, transparency, effectiveness, efficiency and responsiveness measured good governance. Using correlation analysis, the study showed that there was a strong significant relationship between internal audit and good governance in public institutions.

The empirical studies showed that much research on the subject matter have been carried out even in different countries, but very little have been done in Nigeria especially in the Southwestern part of the country. This necessitated this study.

3. Methodology

The study employed only primary data which was obtained through the administration of structured questionnaire. The population for this study comprised the local government establishments in the Southwestern Nigeria. Oyo State was chosen as a case study because it has the highest number of Local Governments in the geopolitical zone. Due to the manageable size, census survey was adopted where all the 33 Local Government organisations in Oyo State were captured in the study. The respondents were purposively selected. They were Heads of Internal Audits, Heads of Local Government Administrations, and the Directors of Finance & Supplies, who engage internal audit function to promote good governance. Therefore, the sample size was 99 respondents.

The validity of the questionnaire was determined through face, content and construct validity. First, the questions were framed in such a manner that they were easily understood and exactly conveyed their sense and purpose to the respondents. Moreover, the draft questionnaire was given to academic staff to view it in the light of the research objectives, its relevance, the adequacy of the questionnaire items, and question coverage. The construct validity for internal consistency of variables was captured by Cronbach's coefficient alpha as 0.838 which is high.

There are two main variables of this study: dependent and independent variables. The dependent variable was good governance (GOV) which was measured by quality of service delivery and management of public resources, while

internal audit function which was the independent variable was measured by independence of internal audit system (INDP), professional competency (COMP), scope of work (WORK), examination process (EXAM), and management support (MSUP). The economic model which showed the relationship between internal audit function and good governance was given as:

$$IAF = f(INDP, COMP, WORK, EXAM, MSUP) \dots\dots\dots (1)$$

$$GOV = \alpha + \beta_1 INDP + \beta_2 COMP + \beta_3 WORK + \beta_4 EXAM + \beta_5 MSUP + \varepsilon \dots\dots\dots (2)$$

where $\alpha, \beta_1, \beta_2, \beta_3, \beta_4$ and β_5 are parameters estimate in the model, and ε is the residual value.

These variables were captured on the questionnaire using a 5-point Likert scale namely: strongly agree (SA), agree (A), neutral (N), disagree (D), and strongly disagree (SD). This survey was conducted in January through April of the year 2014. Data collected was analysed using percentage counts, Pearson correlation analysis and multiple linear regression technique.

4. Data Analysis and Discussion

Out of the 99 copies of the questionnaire that were administered, 83 were fully filled and returned, giving a response rate of 83.84%. The analysis and discussion are based on the retrieved copies of the questionnaire.

4.1 Socio-demographic Characteristics of Respondents

The socio-demographic characteristics of the respondents captured in this study include gender, age, academic and professional qualifications. The analysis in Table 1 (see appendix) showed that 77.1% of the respondents were male, while 22.9% were the female counterpart. Thus, it implies that more male are involved in internal audit function in public sector organisations in the Southwestern Nigeria. Also, majority (51.8%) of the respondents were in the age brackets of 46-50 years. This was closely followed by respondents in their early forties which accounted for about 33%, while the respondents in the age brackets of 35 years and below ranked the least (2.4%). This showed that majority of the respondents were mature and knowledge to supply the relevant information. The analysis further showed that a very high proportion (60.3%) of the respondents had postgraduate qualifications, and 34.7% had first degree. Just a small percentage (6%) had diploma certificates. Besides, all the respondents belonged to approved Accounting and Management professional bodies. About 54% of the respondents are members of the Association of National Accountants of Nigeria (ANAN), 34% are members of the Institute of Chartered Accountants of Nigeria (ICAN), and the remaining 12% are members of the Nigerian Institute of Management-Chartered (NIM). This confirmed that the respondents are knowledgeable in the object of this study.

4.2 Internal Audit Function in Nigerian Public Organisations

The analysis in Table 2 showed the effectiveness of internal audit function (IAF) in public sector organisations in the Southwestern Nigeria. In terms of independence of internal audit system, all the respondents agreed that the purpose and authority of internal audit in the organisations is clearly defined. Also, no less than 70% of the respondents agreed that internal auditors have full access to records and information they need in conducting audits, they are free to choose any transaction or area of interest for audit, and internal audit provides reports directly to the Chief Executive Officer. However, a low proportion (41%) of the respondents indicated that internal auditors are free to include audit findings in their audit reports. The inability of internal auditors to include audit findings in their audit reports accounts for why internal audit reports are not published on internet for the organization's use and Local Government's annual reports are not distributed to the public which promote transparency and accountability – core values of good governance in the public sector (Adedokun, 2014). Thus, the internal audit system in the public organisations was not absolutely independent.

The analysis further showed that majority (over 75%) of the respondents indicated that the scope of internal audit work includes checking adequacy of the auditees' record keeping when appropriate, verifying accuracy of amounts in financial records, reviewing information contained in reports of operating departments, and assisting the management by identifying risk exposures of the Local Government. Also, about 51% of the respondents agreed that the scope includes performing audit of major fraud cases. This revealed that the scope of internal audit work in the organisations was comprehensive as it covered public financial management, fraud prevention and detection, and risk assessment and management.

Considering professional competence, the analysis showed that more than 80% of the respondents agreed that internal audit activities are conducted in accordance with recognized standards, and internal auditors undertake continuous professional development activities (such as professional association sponsored programs and correspondence courses). Also, majority of the respondents agreed that internal audit units or departments have appropriately qualified staff who possess requisite capabilities as well as knowledge and skills in a variety of areas (beyond accounting and finance).

However, about 51% of the respondents indicated that internal audit faces the challenge of insufficient budget to successfully carry out its duties. Thus, the professional competence of the internal audit unit of the organisations could be described as relatively high except for the challenge of insufficient funds to fully execute its responsibilities.

In terms of examination process of the internal audit unit, more than 75% of the respondents indicated that internal auditors systematically review the risk management process, review compliance with laws and regulations as well as review checking of budget implementation. In addition, the examination process involves evaluating the keeping of accounting records, and evaluating management's efforts in the recovery of receivables, taxes & other collectables. Therefore, the examination process was scientific and thorough.

Table 1. Effectiveness of internal audit function in Nigerian public organisations

Independence of internal audit system	SA	A	N	D	SD
The purpose and authority of internal audit is clearly defined	69.0	31.0	0	0	0
Internal auditors have full access to records and information they need in conducting audits	20.7	48.3	24.1	0	6.9
Internal auditors feel free to include any audit findings in their audit reports.	6.9	34.5	31.0	20.7	6.9
The internal audit unit is free to choose any transaction or area of interest for audit	13.8	65.5	6.9	6.9	6.9
Internal audit provides reports directly to the Chief Executive Officer	27.6	44.8	20.7	6.9	0
Scope of Work					
Checking adequacy of the auditees' record keeping when appropriate	55.2	44.8	0	0	0
Verifying accuracy of amounts in financial records	72.4	13.8	13.8	0	0
Reviewing information contained in reports of operating departments	41.4	44.8	13.8	0	0
Performing audit of major fraud cases	6.9	44.8	34.5	13.8	0
Assisting the management by identifying risk exposures of the local government	62.1	20.7	17.2	0	0
Professional Competency					
Audit activities are conducted in accordance with recognized standards (e.g. IIA, etc.)	34.5	48.3	0	17.2	0
Internal auditors undertake continuous professional development activities	41.4	51.7	6.9	0	0
Audit Unit or department have appropriately qualified staff	34.5	31.0	20.7	13.8	0
The internal audit staffs possess knowledge and skills in a variety of areas	34.5	44.8	6.9	13.8	0
Internal audit obtains a sufficient budget to successfully carry out its Duties	27.6	20.7	0	37.9	13.8
Examination Process					
Auditors systematically reviews the risk management process	51.7	27.6	20.7	0	0
Auditors systematically review compliance with laws and regulations	55.2	44.8	0	0	0
Auditors review checking of budget implementation	34.5	58.6	6.9	0	0
Evaluating keeping of accounting records (mistakes, delays, etc.)	41.4	44.8	13.8	0	0
Evaluating management's efforts to the recovery of receivables, taxes and other collectables	41.4	31.0	27.6	0	0
Management Support					
Management follow up recommendations made by the internal audit unit	34.5	58.6	6.9	0	0
Adequate provision of material incentives (bonuses and recompenses) for the internal audit staff	20.7	44.8	27.6	0	6.9
Internal auditors receive full cooperation and support from management	24.1	55.2	6.9	13.8	0
Management regards internal audit as a value-adding service to the organisation	27.6	65.5	0	6.9	0

Management support is a pivotal factor that influences the effectiveness of the internal audit unit in any organisation. The analysis in Table 1 further reveals that the top management of the public organisations adequately supported internal audit activity as they follow up reports and recommendations made by the internal audit unit and also provide adequate material incentives for internal audit staff in order to motivate them. Furthermore, management regards internal audit as a value-adding service to the organisation and thus, give full cooperation and support to internal auditors. These findings were attested by more than 70% of the respondents.

In general, the analysis showed that the effectiveness of internal audit function in the Nigerian public sector organisations is moderate. The findings of this study are slightly consistent with the findings of Kuta (2008) which revealed that internal auditing in Nigeria public organisations suffers from lack of independence of the internal auditors, insufficient funds, and management do not give due recognition to internal auditor's reports and recommendations.

4.3 Relationship between Internal Audit Function and Quality of Service Delivery

Pearson correlation analysis was employed to identify the relationship of IAF variables with each other and with the measure of good governance. The analysis in Table 2 showed that the independence of internal audit system has a significantly positive relationship with the scope of internal audit work, which was significantly related to examination process and professional competence of internal audit unit. Also, management support had a significantly positive relationship with examination process and professional competence. Provision of sufficient funds to boost professional competence cannot be without management support. The results signify that the components of IAF are interrelated.

Moreover, the correlation matrix showed the relationship between internal audit function and quality of service delivery

which is a measure of good governance in public organisations. The analysis showed that each of the IAF variables had a significantly positive relationship with quality of services provided by the public sector organisations in the Southwestern Nigeria. Scope of work, examination process, and management support had significantly positive relationship with quality of service delivery at 0.01 level (2 tailed) while independence of internal audit system and professional competence were significant at 0.05 level (2 tailed). This finding indicates that the greater the effectiveness of internal audit function, the higher the quality of service delivery. Public organisations like Local Government councils are expected to provide social services such as provision of pipe bore water, public toilets, electrification, healthcare centres, and other infrastructures to the communities.

Table 2. Correlation matrix of the relationship between internal audit function and quality of service

	1	2	3	4	5	6
GOV(Quality of Service)	1	.202*	.306**	.281**	.226*	.277**
INDP		1	.238*	.160	.147	.107
WORK			1	.315**	.201*	.185
EXAM				1	.358**	.252*
COMP					1	.356**
MSUP						1

**, * Correlation is significant at the 0.01, 0.05 level (2-tailed) respectively

4.4 Effect of Internal Audit Function on Management of Public Resources

Multiple linear regression analysis investigated the effect of IAF on management of public resources. The analysis in Table 3 showed that independence of internal audit system, professional competence, scope of work, examination process, and management support have significant combined effect on management and accountability of resources in the public organisations ($F = 47.322$, $p < 0.05$). This implies that IAF helps public organisations to safeguards assets. The high R^2 value depicted that the IAF variables were largely sufficient to explain as high as 62% of the variation in management of public resources. These results demonstrate that IAF contributes significantly to good governance in terms of management and accountability of resources in public organisations in the Southwestern Nigeria. The finding is consistent with Rahmatika (2014) who found that the independence of internal audit system, professional capabilities, scope of internal audit work, examination process and support of management were crucial to the operation and success of good governance in public sector.

The classical assumption of the study model was also tested for the following aspects: normality, autocorrelation, and multicollinearity. The purpose of normality testing was to determine that all the data of independent and dependent variables have normal condition. The analysis in Table 3 meets the assumptions of normality, because the Kolmogorov-Smirnov (KS) test was not significant at 0.05, accepting the null hypothesis that the distribution of the series tested was normal. Durbin Watson was satisfactory as the result was approximately 2.00, indicating no autocorrelation between the residuals from the regression model. The multicollinearity of the variables in the model was verified by the Tolerance (TOL.) and Variance Inflation Factor (VIF) which showed satisfactory values.

Table 3. Multiple linear regression analysis of effect of internal audit function on management of resources

Model	Coefficient	Sig.	TOL.	VIF
Constant	.359	.028	-	-
INDP	.321	.008	.381	2.009
COMP	.206	.019	.603	1.593
WORK	.215	.131	.832	1.402
EXAM	.119	.042	.789	1.235
MSUP	.187	.015	.527	2.153
R^2	.623	Durbin Watson Stat.		1.961
F (Sig.)	47.322 (.019)	Sig. KS		.657

Dependent variable: GOV (management and accountability of resources)

5. Conclusion and Recommendation

This study revealed how good governance in public organisations can be promoted through internal audit function (IAF). The evidence from the study showed that the internal audit system in the public organisations was not absolutely independent and professional competence of the internal audit system was limited due to the challenge of insufficient funds to successfully carry out its duties. However, scope of internal audit work was comprehensive, examination process was scientific and systematic, and management gives adequate support to internal audit process. Thus, the effectiveness of internal audit function in public sector organisations in the Southwestern Nigerian is moderate.

Furthermore, internal audit function (IAF) was found to have a significantly positive relationship with quality of

services provided by public organisations. This can be traced to the presence of qualified internal auditors, comprehensive scope of work, scientific examination process and responsive management structure. In addition, the study revealed that IAF had significant effect on management and accountability of public resources. This study therefore concluded that internal Audit function is a veritable tool for promoting good governance in the Nigerian Public Sector.

Based on the findings, the study recommended that there should be legal mandate in public sector organisations that allows government information to be publicly published. This would assist to reduce the risk of corruption and boost good governance in the organisations. Also, special funds should be made available by organisations to support internal auditors in executing their responsibilities to the fullest.

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Appendix

Table 4. Distribution of Respondents by Socio-Demographic Characteristics

Characteristics		Frequency	Percentage
Gender	Male	64	77.1
	Female	19	22.9
	Total	83	100.0
Age	35 years and under	2	2.4
	36-40 years	4	4.8
	41-45 years	27	32.5
	46-50 years	43	51.8
	51 years and above	7	8.5
	Total	83	100.0
Highest Academic Qualification	M.Sc./Ph.D.	50	60.3
	B.Sc.	28	33.7
	Diploma	5	6.0
	Total	83	100.0
Professional Qualification	ANAN	45	54.2
	ICAN	28	33.7
	NIM	10	12.1
	Total	83	100.0

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