**INTERNAL AUDIT EFFECTIVENESS AND ORGANIZATION’S FINANCIAL OUTPUT**

**(A CASE STUDY OF FIRST BANK NIGERIA PLC)**

**BY**

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**APRIL, 2023.**

**DECLARATION**

I, **Wisdom, Etiemana Peter** with Registration Number **AK18/MGT/ACC/082,** hereby declare that this project work titled: “Internal Audit Effectiveness and Organization’s Financial Output (A Case Study of First Bank Nigeria PLC)’’ is the product of my research effort under the supervision of Dr. Uwem Uwah, and has not been presented elsewhere for the award of a degree or certificate. All sources have been duly acknowledged.

**Wisdom, Etiemana Peter SIGNATURE/DATE:………………..**

**CERTIFICATION**

This is to certify that this research project titled **“Internal Audit Effectiveness and Organization’s Financial Output (A Study of First Bank Of Nigeria PLC)’’** and carried out by **‘‘Wisdom, Etiemana Peter’’** with Registration Number **AK18/MGT/ACC/082,** has been found worthy for the award of Bachelor of Science Degree in Accounting.

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**LIST OF ABBREVIATIONS**

PERF = financial output of the bank

IAS = internal audit standards

IIA = independence of internal audit

PC = professional competency

IC = internal control

***ABSTRACT***

The internal audit effectiveness of internal audit helps in developing the work of the banking sector because the financial reports reflect the internal audit department’s quality. The aim of internal auditing is to improve organizational effectiveness through constructive criticism. Internal audit financial efficiency, liquidity and solvency to determine the effectiveness of other controls established by management in other to ensure smooth administration, control cost minimization, ensure capacity utilization and maximum benefit derivation. The main objectives of this study basically examine the internal audit effectiveness and organization’s financial output (a case study of First Bank Nigeria Plc). The study was set to find out if internal audit effectiveness influences organization’s financial output. Survey method of enquiry and secondary data was adopted by the researcher through the annual reports of First Bank Plc and questionnaire was the primary instrument used for gathering data from respondents. The population of the study was 10,033 operational staff with the sample size of 90, 56 respondents drawn using Pearson Product Moment Correlation (PPMC) statistical formula. Tables and simple percentage were used to analyze data. The research questions were answered with the used of mean and standard deviation and Linear Regression Analysis was used to test the null hypotheses by the help of (SPSS) version 23.0. Findings reveals that internal audit is effective to organization because there is a strong relationship between internal audit effectiveness and the organization financial output and it’s also leads to organizational growth and better financial output. The researcher recommended that management should ensure that there are adequate organizational controls and that each staff knows his duties and equally ensures effective segregation of duties.

**CHAPTER ONE**

**INTRODUCTION**

* 1. **Background to the study**

The method of examining the evidence of financial transactions could be traced back to the time when there was need to transact business beyond one’s immediate needs. But successful Management as the central directing and controlling elements in a business organization came as a result of individuals pooling their resources together to strengthen their co-ordinate and integration of specific activities in the organization to ensure effectiveness and efficiency of human cooperation.

In recent times, business organizations are increasing due to economic development. As a result, the need for decentralization arises, which means authority is systematically delegated or pushed down the line in an organization. This makes corporate management becomes so complex and the increasing volume of trade among business organization has made the art of management so complex and challenging. Only managers with mastered skills in modern scientific method of management can cope with the increasing demand required by their position. In addition to this complexity of corporate management, the increasing wave to fraud and misappropriation of funds in the private and public sectors of the economy becomes an issue. In an attempt to cope with this situation and keep their businesses profitable, management have to look inwardly to increase control system, by which all the policies and activities are put to check to conform to the set objectives (Dittenhofer,2001).

According to Dandago (2002) this involves the subdivision of duties by means of which no one person is entirely responsible for one transaction but at some stage of its performance, each person work come to the notice of at least one other person. This is where internal audit is founded. Internal audit forms an integral part of this internal control system, which is a management function, which appraise the problems, and performance of every department in the organization. Despite the existence of internal control mechanisms in most organizations, flaws and loopholes still exist, which can easily be circumvented by individuals to undermine the organization. One best way of curbing or minimizing the menace of excessiveness is through the institutionalization of a vibrant and effective internal audit unit. The presence of an effective internal audit in an organization is not only to checkmate fraud, but also serves as a managerial control which functions by measuring and evaluating the effectiveness of other controls.

The primary function of the internal auditor is to evaluate processes that are in place to identity any weaknesses in internal controls that might lead to wastages. When any such weaknesses are identified, they are reported to management for corrective action. The internal auditor is expected to anticipate problems, visualize improvements and propose preventive actions (Effiong, 2012). The internal auditor has the responsibility of appraising the activities of other departments in an organization and provides management with information that is useful in assessing operational financial output.

There are many aspects of the output of business organizations that can be analyzed. When banks as business organization is considered, Muga (2012) stated that the importance of bank profitability can be appraised at the micro and macro levels of the economy. At the micro level, profit is the essential prerequisite of a competitive banking institution and the cheapest source of funds. It is not merely a result, but also a necessity for successful banking in a period of growing competition on financial markets. Hence the basic aim of every bank management is to maximize profit, as an essential requirement for conducting business. At the macro level, a sound and profitable banking sector is better able to withstand negative shocks and contribute to the stability of the financial system. Bank profits provide an important source of equity especially if re-invested into the business. This should lead to safe banks, and as such high profits could promote financial stability.

Schiuma (2003) mentioned accounting- based performance using three indicators: return on assets (ROA), the return on total equity (ROE) and Return on Investment (ROI). These are widely used to assess the performance of firms, including commercial banks. Bank regulators and analysts have used ROA and ROE to assess industry performance and forecast trends in market structure—as inputs in statistical models to predict bank failures and mergers—and for a variety of other purposes where a measure of profitability is desired.

The main purpose of this study was to examine if internal audit can actually enhance banks’ financial output. Most internal audit professionals argue that an effective internal audit function correlates with improved financial output. According to Beyanga (2011), an effective internal audit service can, in particular, help reduce overhead, identify ways to improve efficiency and maximize exposure to possible losses from inadequately safeguarded company assets all of which can have a significant effect on the financial output of an organization. He also stated that internal audit is an invaluable tool of management for improving Output. Fadzil et al (2005) also noted that internal auditors help run a company more efficiently and effectively to increase shareholders Value. Finally, Hermanson and Rittenberg (2003) argued that the existence of an effective internal audit function is associated with superior organizational output. At the empirical level, a survey conducted by KPMG (2003) found that the internal audit function in organizations where it exists, contributes substantially to output improvement and assist in identifying profit evidence in corporate disasters. Thus, internal audit by acting as a watchdog could save the organization from malpractices and irregularities, enabling the organization to achieve its objectives of ensuring high level of productivity and profit.

* 1. **Statement of the problem**

Internal audit is needed to ensure that all delegated duties are carried out effectively and also that the policies and procedures of the company are adhered to strictly. It is only through a good internal auditing system that the top managers can check the level of compliance to delegated duties. However, internal audit department which is set up to ensure adherence to management policy may not achieve their main objective because of interference and undue influence by top management.

The areas of interference which incidentally become the problem being considered in this study are that some auditors lack prerequisite independence to do a thorough audit. Where there is independence, the internal auditors are not adequately equipped with the necessary details to carry out a thorough internal control audit. Qualified and well-trained professionals are sometimes not employed to make room for efficiency and effectiveness.

Recent corporate accounting scandals and the resultant outcry for transparency and, honesty in reporting have given rise to two disparate yet logical outcomes. Efficiency determines how well the organization is using its assets. Liquidity assesses the organization’s ability to meet short-term financial obligation. Solvency measures long-term debt against equity and assets to determine the stability of the organization financially.

To analyze the above problems therefore, the study was concerned with examining the empirical evidence using liquidity, financial efficiency and solvency, which stood as the gap in this study.

**1.3 Objectives of the study**

The general objective of this study was to find if internal audit effectiveness relates with the financial output of First bank of Nigeria. The specific objectives were:

1. To evaluate the relationship between frequency of meetings of internal auditors of First Bank Nigeria. PLC with audit committee and the organization's efficiency.
2. To examine the relationship between internal audit activities (assessments) and First Bank Nigeria PLC liquidity.
3. To examine the relationship between periodic audit report and the solvency of First Bank Nigeria PLC.
   1. **Research questions**

Considering the objectives of this study, the following research questions were formulated:

1. Does the frequency of meeting of internal auditors with audit committee members of First Bank Nigeria PLC relate with the organization‘s efficiency?
2. To what extent does internal audit activities of First Bank Nigeria PLC relate with the organization’s liquidity?
3. To what extent is the relationship between periodic audit report and the solvency of First Bank Nigeria PLC?
   1. **Research hypotheses**

For the successful completion of the study, the following null hypotheses were formulated by the researcher;

**H01:** There is no significant relationship between the frequency of meetings of internal auditors with audit committee members of First Bank Nigeria PLC and the financial efficiency.

**H02:** There is no significant relationship between internal audit activities and the liquidity of First Bank Nigeria PLC.

**H03:**  There is no significant relationship between periodic audit report and the solvency of First Bank Nigeria Plc.

**1.6.** **Scope of the research area**

The study focused on the importance of internal audit as an aid to an organization’s financial output. Internal auditing is a component of internal control system. Though, this study will not concern itself with the review of the internal control system, internal control system that involves internal auditing will be emphasized. All variables are measured using the period from 2017 to 2022.

**1.7 Significance of the study**

This study 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. Internal audit is designed to monitor the extent or level of effectiveness of internal controls set by management. This study would enhance proper appreciation of internal auditors effectiveness and it relative influence on organization financial output to various organizations and to provide decision making related to the internal auditors.

The study will assist the internal auditors in policy formulation related to the organization. This study could give a clear insight into various way in which the internal auditors can operate effectively without the influence of management of the organization’s. The findings and recommendations of the researcher would help in building a strong and better audit system in First Bank Nigeria Plc, and other corporate bodies with profit motives.

To add to the body of already existing knowledge on the subject matter of the research and to provide a source of reference for students and up-coming researchers in relation to the study on internal audit effectiveness and organizational financial output. Potential researchers will benefit as some of them may have cause to review this study during their own research.

**1.8**  **Organization of the study**

The study is organized into five chapters. Chapter one is the introduction which captures background to the study, statement of the problem, objectives of the study, research questions, test of hypothesis, scope of the study, significance of the study, organization of the study and operational definitions of terms peculiar to the study. Chapter two deals with the review of related literature which is concerned with conceptual framework, theoretical framework, empirical framework and summary of literature review and research gap. Chapter three captures the methodology of the study which deals with research design, population of the study, sampling techniques, source of data and method of data collection, method of data analysis, model specification and variable measurement and limitation of the study. Chapter four deals with data presentation, analysis and discussion of findings while Chapter five deals on conclusion and recommendations.

**1.9 Operational definition of terms peculiar to the study**

In the course of writing this project, there are some technical terms used that needs to be understood very well before the project can have a good meaning to the reader, these terms include the followings:

**Audit:** Is the independent examination of the financial statement of an enterprise and the expression of an opinion of such financial statement by an appointed auditors as to whether it shows true and fair view of the state of affairs of the enterprises in accordance with the terms of his agreement, the observation of statutory regulation and professional requirement.

**Auditor:** An auditor is a professionally qualified accountant (ICAN OR ANAN) who has given license to carry out public practice

**Internal Audit:** Internal audit is a dynamic profession involved in helping organizations achieves their objectives. It is concerned with evaluating and improving the effectiveness of risk management, control and governance processes in an organization.

**Internal Audit Effectiveness:** This can be defined as the goal and ultimate goal of the internal audit function which is to create added value for the organization.

**Internal Control System: Internal control means not only internal check or internal audit, but the whole system of control financial and otherwise, established by management in order to carry on the business of the company in orderly manner, safeguard its assets and secure as far as possible accuracy and reliability of its record.**

**It is** a system within an organization designed to provide reasonable checks regarding the achievement of the organizational objective.

**Independence:** It refers to the freedom that the auditor should have in terms of organization status and personal objectivity which permits the proper performance of their duties.

**Effectiveness:** The extent to which objectives are achieved and the relationship between the intended impact and the actual impact of an activity.

**Efficiency:** The relationship between the output in terms of goods, services or other results, and the resources used to produce them.

**Organization**: An organization is an entity comprising multiple people, such as an institution or an association that has a collective goal and is linked to an external environment.

**Financial output:** This can be defined as the quantity of a product that a bank sector, or economy can produce over a limited period of time.

**CHAPTER TWO**

**REVIEW OF RELATED LITERATURE**

In this chapter the researcher explored the conceptual, theoretical and empirical framework which was a review of relevant literature on the subject-matter.

**2.1 Conceptual framework**

**2.1.1**  **Internal audit**

Glazer and Jaenike (1980) argued that performing auditing work according to internal auditing standards contributes significantly to the effectiveness of auditing. Ridley and D‘Silva (1997) found in the UK that complying with professional standards is the most important contributor to IA‘s added value.

Standards for audits and audit-related services are published by the IIA (2007) and include attribute, performance and implementation standards. In general, formal auditing standards recognize that internal auditors also provide services regarding information other than financial reports. They require auditors to carry out their role objectively and in compliance with accepted criteria for professional practice, such that internal audit activity will evaluate and contribute to the improvement of risk management, control and governance using a systematic and disciplined approach. This is important not only for compliance with legal requirements, but because the scope of an auditor’s duties could involve the evaluation of areas in which a high level of judgement is involved, and audit reports may have a direct impact on the decisions or the course of action adopted by management (sawyer 1995). It can thus be argued that greater quality of IA work – understood in terms of compliance with formal standards, as well as a high level of efficiency in the audit’s planning and execution – will improve the audit’s effectiveness.

The term Audit is derived from the Latin word ‘to hear’ and auditor literary means hearer. The adoption of this term was based on customary role of audit function in the sense that the persons responsible for maintenance of accounts prepared by the person in charge and express their opinion about their correctness (Olowowooker, 2007). In the early 1900, auditors were primarily engaged to provide almost absolute assurance against fraud and international mismanagement. However, there was a shift from fraud detection to determinizing fairness in financial statement.

At present, the audit psychology focuses on expressing a fairness opinion on the reliability of financial statement prepared on the basis of accounting records, which are also subject to verification by an auditor. A critical example in Nigeria is the incidence of failed banks and failed parastatals which led to the controversial Failed Banks Tribunals in 1994.

According to auditing can be defined as a process whereby an independent person, otherwise known as an auditor, examines the records of an enterprise with a view to expressing an opinion as to whether the financial statements present a true and fair view of the results of the period under review and the state of affairs as at the end of that period. The International Auditing and Assurance Standards Board (IAASB 2007) defined auditing as the independent examination and expression of opinion on the financial statements of an enterprise by an appointed auditor in pursuance of that appointment and in compliance with any relevant statutory obligation.

Many large organizations have a system of internal audit within the organization as an integral part of internal control. Internal auditing is a staff function rather than a line function and the internal auditor does not exercise direct authority over other persons in the organization.

**2.1.2 Audit examination**

This refers to the audit process which entails the auditor using a methodological approach in reviewing accounts, records and vouchers before forming an opinion. The examination efforts of the auditor are usually assisted by auditing standards and guidelines issued by the professional body to which the auditor belongs. This may include review of the means used to identify, measure, classify and report information and specific enquiry into individual items including detailed testing of transactions, balance and procedures.

**2.1.3 Objectives of an audit and types of audits**

There are primary and secondary objectives of an audit:

The primary objective is essentially to obtain the auditors opinion as to the truth and fairness of financial statements examined by him; Secondary objectives are spin-off advantages which accrue to organizations that engage the services of an auditor. They include the following:

**Detection of fraud and error:** As an audit involves the examination of records, the auditor normally organizes his efforts in such a way that there would is a high probability that any material fraud or error will be detected.

**Prevention of fraud and error:** This has to do with psychological effect which the knowledge that an audit of the books will be carried out has on the staff during the course of their normal duties.

**Reports on internal control:** As part of audit procedures, the auditor usually evaluates the client’s system of internal control and reports on the weaknesses identified.

**Constructive advice:** The auditor gives the client constructive advice on certain aspects of their operations.

Audit can be classified into External and Internal Audit on the basis of reporting line.

1. An external audit is the independent examination of evidence supporting the financial statements of an enterprise by a qualified person who is not an officer or servant of the company. The external audit report is meant for the members (shareholders) of the company.
2. An internal audit**,** on the other hand, is an independent appraisal function, instituted by the management of an organization as a managerial control. The Internal audit report is usually directed to the Managing Director or Chairman.

**Types of internal audit**

1. **Social audit:** This type of audit, restricted in its application, stems from the idea that a company does not operate in isolation, but by its nature, exerts an influence on the society extending beyond its primary relationship with its shareholders, to its own employees, its customers, the community in which it operates and the public at large.
2. **Value for money audit:** Value for money audits is often associated with one type of internal audit in the public sector (e.g the work of local government, and federal government departments).
3. **System audit:** A system audit is based on a testing and evaluation of internal controls within an organization or a system to determine what reliance can be placed on those controls to ensure that resources are being managed effectively and information provided accurately.
4. **Transaction audit:** This is also called financial audit or probity audit; a transactions audit is carried out to ensure that the financial assets of the business exist and are safeguarded.
5. **Management audit:** According to the CIMA Official Terminology, management audit is an objective and independent appraisal of the effectiveness of managers and the effectiveness of the corporate structure in the achievement of company objectives and policies.

**2.1.4 Legal framework of internal auditing**

It is mandatory for the auditors to have in depth knowledge of the statutory requirements of their clients for an effective and efficient performance. Generally, the auditor should get himself acquainted with the provisions of the following:

1. Companies and Allied Matters Act (CAMA 1990) as amended
2. Banks and Other Financial Institutions Act 1991 as amended
3. Insurance Act 1991 as amended
4. Mortgage Institutions Act 1989 Court Decisions

**2.1.5 Auditing process**

There are eight steps to follow under the audit process. These are:

1. **Determination of the audit plan:** This involves the auditor reviewing the terms of his appointment, determining the scope of work required, familiarizing himself with the client’s environment, determining materiality and risks. On the basis of the above, he draws up a broad guideline which will guide the conduct of the audit work. It is important to note that planning is an ongoing process and as the audit progresses and more information becomes available, the auditor might have the need to change his plans.
2. **Ascertaining and documenting the system of accounting and system of internal control:** This stage entails the auditor reviewing records and interviewing staff on the procedures in use with a view to finding out the clients internal control system. The auditor documents his finding through narrative notes, internal control questionnaires and flow charts. In addition, he would want to confirm that he has properly recorded the system through walk-through tests or checks.
3. **Evaluation of the client’s system:** This consists of a theoretical assessment of the adequacy of the client system as basis for the preparation of financial statement. At this stage, the auditor will reach a decision on what aspects of the client system he would like to rely on and note any weakness in the system for later notification to the client. The decision on reliance determines the next stage in the audit process. Where controls are good and the auditor intends to rely on them, the next stage will be for him to carry out a test to confirm if the system is implemented as expected. But if the auditor does not want to rely on them, the next stage is for him to carry out extended substantive tests.
4. **Compliance testing:** This entails the design and performance of test to establish whether those controls which the auditor has assessed as adequate are effective in practice as they are on paper. The outcome of the test here will determine the next stage in the audit process. Where the tests confirm that the controls are effective in practice, the auditor will proceed to carry out restricted substantive test. The extent of restriction would depend on the level of reliance he wants to place on the internal control. Where the controls were found not to be used in practice or were used but were ineffective, the auditor will proceed to carry out extended substantive test.
5. **Substantive testing:** This involves carrying out test with a view to certifying the validity, completeness and accuracy of the figures in the financial statement. The extent of testing would depend on the quality of internal control and the result of compliance test among other factors.
6. **Verification of assets and liabilities:** Verification of assets and liabilities is part of the substantive audit procedure. Here the auditor carries out certain exercises to confirm the existence, valuation, ownership, authorization presentation and disclosure of assets and liabilities.
7. **General review of the financial statement:** The objective in general review is to make a critical assessment of the contents of presentation of the financial statement with a view to determining their overall reliability. It involves the use of ratios and their comparison with standards, review of accounting policies and checking compliance with relevant professional standards and regulatory requirements.
8. **Reporting:** The auditor normally prepares two reports as output from the process (1) management letter (2) audit report.
   1. The management letter is written to the management notifying them of weaknesses in the internal control and other unsatisfactory accounting practices which the auditor noted during the audit process. This letter is one of the spin-off advantages of auditing as an exercise.
   2. The auditor’s report is the statutory final product of the audit process and it simply contains the auditor’s opinion on the financial statement.

**2.1.6 Audit function and organizational performance**

Internal Audit has turned into a key administration instrument for accomplishing powerful control in both open and private associations (Udu, 2006). Internal auditing serves as a vital connection in the business and budgetary reporting procedures of partnerships and not-revenue driven associations. The point of inner inspecting is to enhance hierarchical proficiency and adequacy through useful feedback. Inner Auditing has four primary segments: viz; check of composed records, investigation of approach, assessment of the rationale and fulfillment of methods, interior administrations and staffing to guarantee they are proficient and proper for the associate ion's strategies; and reporting suggestions for enhancements to administration Most internal audit experts contend that a compelling inner review work connects with enhanced money related execution. As indicated by Beyanga (2011), a viable inside review administration can, specifically, decrease overhead, distinguish approaches to enhance effectiveness and expand introduction to conceivable misfortunes from deficiently defended organization resources all of which can significantly affect the execution of an organization. Eighme and cashell (2002) pointed that when an organization seeks after respectability and clear moral qualities reflected in a formal set of principles/morals, the internal audit capacity will take a more noteworthy significance. Inside control frameworks add to administrative adequacy as well as vital obligations of corporate directorate. Book-keeping writing in like manner underlines the significance of an association's responsibility and moral values in keeping up a powerful control. Fadzil et al (2005) noticed that internal auditors run an organization all the more proficiently and adequately to expand shareholder’s esteem. At long last Hermanson and Rittenberg (2005) contended that the presence of a viable internal auditors’ capacity is connected with predominant authoritative execution. At the observational level, a study directed by KPMG (2003) indicated that the internal auditors work in associations where it exists, contributes significantly to execution change and help with recognizing benefit confirm in corporate catastrophes, especially budgetary misrepresentation reliably archives a relationship between feeble administrations. Subsequently interior review by going about as a guard dog could spare the association from acts of neglect and inconsistencies in this manner empowering the association to accomplish its targets of guaranteeing abnormal state of efficiency and benefit.

**2.1.7 Professional competency**

Detecting fraud is a challenging task. Perpetrators actively engage in deception in an attempt to conceal their behavior, auditors may have limited experience in fraud detection, and fraudulent activities are inherently unpredictable and difficult to detect (Herz and Schultz, 1999; Kaplan et al., 2010; Nieschwietz et al., 2000). Hence, the organization would be optimally served by identifying and utilizing those individuals who, because they appear to share certain unique personality traits or characteristics, may be best suited to the fraud detection task. For example, Uecker et al. (1981) used perceptions of relative aggressiveness between internal and external auditors to investigate the detection of corporate irregularities. Internal auditors play an important role in fraud detection with most frauds identified by the internal audit function (KPMG, 2003, Norman et al., 2010). Due to the importance of effective fraud detection, any measures that can enhance the efficacy of auditors should be of value. While experience and ability are undeniably important in the detection process, certain individual characteristics may be predictive of the capacity to detect fraud (Ashton, 1999). Understanding how auditors are perceived, and how these perceptions lead to beliefs regarding their detection abilities, is an important first step in relating personality traits to the efficacy of auditors.

A review of the research reveals a general acknowledgment that the five-factor model can be used as a descriptive mechanism for the most salient elements of an individual’s personality (Anderson 2012). Conscientiousness is the personality dimension primarily responsible for organizing and directing individual behavior, and conscientious individuals may be characterized as responsible, diligent, persevering and thorough (Digman and Takemoto-Chock, 1981). Jones (2009) conducted a series of interviews with successful fraud examiners and found that these individuals exhibited a cluster of common traits including perseverance, diligence and integrity – each of which is an attribute of the conscientiousness dimension. Within the context of the five-factor model, only conscientiousness has been found to reliably predict job performance across all occupational groups (Robertson et al., 2000). Indeed, some studies have demonstrated that conscientiousness correlates with task performance just as strongly as cognitive ability (Alonso, 2000). Previous research has demonstrated a linkage between conscientiousness and task performance, and the linkage has been shown to be stable across time (Barrick et al., 1993). Conscientiousness can affect job performance in a number of ways. Conscientious employees are generally more reliable, more motivated, and harder working; they are also likely to devote more energy to the task at hand and spend less time daydreaming (Viswesvaran, 2006).

This results in greater assimilation of task related knowledge, leading to greater productivity (Ones and Viswesvaran, 2006). Conscientious individuals would be expected to pay more attention to detail and profit more from vicarious learning, thus gaining enhanced job knowledge and being more productive (Bandura, 1977; Viswesvaran, 2006). These assertions were confirmed by Colquitt et al. (2000) who showed that conscientiousness was highly correlated with motivation to learn and by Borman et al. (1991) who demonstrated a positive association with job knowledge.

**2.1.8 Internal controls**

Controls audits are designed to ensure that appropriate controls over systems and software are in place to ensure that internal controls and internal checks are functioning as designed, (Haylas and Ashton, 1982). Controls audits can have features built into them to ensure that fraudulent truncations are flagged or made difficult, if not impossible, to transact. Controls audits provide assurance that controls are working, but they do not necessarily detect fraud or corruption. Internal controls audit objectives relate to management ‘s plans, methods, and procedures used to meet the organization ‘s mission goals, and objectives. Internal control includes planning, organizing, directing, and controlling program operations and the systems put in place to measure, report, and monitor program performance, (Esmailjee, 1993).

Haylas and Ashton (1982) in their effort to provide evidence on the effectiveness of particular audit techniques in detecting errors that affect the financial statements suggested that all intentional errors are concentrated in relatively few audits and these are fairly predictable by industry. The great majority of such errors affect income but the direction of effect may either be an understatement or over statement. Regarding the signaling of an error, they found that the large portion of financial statements errors are initially signaled by less rigorous audit procedures such as analytical review and discussions with the client. Client personnel problems such as inexperience, incompetence and insufficient knowledge and inadequate control follow up or reviews were found instrumental in causing the errors.

Sayag (2010) evaluated the internal controls of Ethiopian Airlines in Nairobi branch and concluded that the lack of segregation of accounting and custodian functions was the greatest weakness of the branch office. He argued that there is need to centralize cash receipts, establish a n audit unit, separate accounting unit from sales section, separate duties of purchase activities and establish a perpetual inventory system for the tickets. He further emphasized that the existence of control is very crucial especially under today ‘s condition with severe competition which place premium on reliable customer’s services, on consideration of cash, on realization of capital assets and manpower and on other reduction costs. Esmailjee (1993) studied the internal controls of Nyayo Bus Service Corporation – a state corporation. He observed that cash receipts as well as cash disbursements bear fairly strong controls attributed to the fact that the government accounting system is still in operation. However, the payroll and the stores accounting systems had a lot to be desired. Regarding the Organizational chart, a lot of information was missing. The internal auditor was being underutilized as he was charged with the responsibility of performing routine control checks which were also performed by the examination section. This led to duplication of efforts and down playing of the internal auditor ‘s effective role.

Keitany (2000) in a study of internal audit control functions and its implications for risk assessment by the internal auditor: A case of quoted companies concluded that even though the extend of reliance on internal control is not sensitive to the strengths of audit departments, companies should not do away with it. This is because as a management tool it should assist management in its day-to-day operations and not necessarily of any relevance to the external auditor. This may be attributed to the fact that external auditor may have specific considerations which may be beyond the strength of internal controls. However, though the system of internal control was ranked as the most important factor in obtaining audit evidence other indicators followed. It therefore implies that once the auditor establishes the strength of the audit department, other risk indicators come into play notwithstanding the strength of internal control.

In a study investigating the effects of internal control deficiencies on firms’ risk and cost of equity capital, Ashbaugh, Collins, and Kinney (2007) concluded that firms that disclose an internal control problem experience a significant increase in market-adjusted cost of capital and firms that sub sequently improve their internal control systems exhibit a decrease in their market-adjusted capital. This study provides evidence that internal control risk matters to investors and those firms reporting strong internal controls or firms that correct prior internal control problems benefit from lower costs of equity capital beyond that predicted by other internal control risk factors.

Findings by Turner (2013) on the effect of auditor ‘s internal controls opinion on loan decisions suggested that an adverse internal control opinion can underpin the assurance provided by unqualified opinion on financial statements taken as a whole and have a negative effect on lenders assessment. Adverse internal control opinion weakens the importance assigned to the balance sheet and income statement in lending decisions and that it reduces lenders confidence that financial statements are presented fairly in conformance with the generally accepted accounting principles. III (1999) carried out research on the relationship between the degree of competition and control. He concluded that the greater the degree of competition, the greater would be the need to control costs and evaluate whether actual performance meets the target performance expectations.

**2.1.9 Internal audit effectiveness**

Different authors were defined the term “effectiveness” as follows; for instance, Arena and Azzone (2009) defined effectiveness as “the capacity to obtain results that are consistent with targets”. Dittenhofer (2001) “Effectiveness is the achievement of internal auditing goals and objectives using the factor measures provided for determining such factors”. In Mihret and Yismaw, (2007) internal audit effectiveness is defined as “ the extent to which an internal audit office meets its supposed objective or the extend to which it meets the intended outcome”.

**2.2 Theoretical Framework**

**2.2.1 Agency theory by Jensen and Meckling (1976)**

Agency theory analysis the relationship between two parties: investors and managers. The agent (that is, managers) undertakes to perform certain duties for the principal (that is, investors) and the principal undertakes to reward the agent (Jensen and Meckling, 1976). According to this theory, the role of the auditor is to supervise the relationship between the manager and the owners. A gap expectation occurs when the distribution of the responsibility is not well defined. The manager and the owners have to realize that the auditor does not have responsibility of the accounting, but only see that the auditing is done properly (Andresson and Emander, 2005).

It is argued that in a corporation in which share ownership is widely spread, managerial behavior does not always maximize the returns of the shareholders (Donaldson and Davis, 1991). The degree of uncertainty about whether the agent will pursue self-interest rather than comply with the requirements of the contract represents an agent risk for an investor (Fiet, 1995). Given that principals will always be interested in the outcomes generated by their agents, agency theory demonstrates that accounting and auditing have an important task in providing information and this task is often associated with stewardship, in which an agent reports to the principal on the company’s events (Ijiri, 1975).

The demand for auditing is sourced in the need to have some means of independent verification to reduce record keeping errors, asset misappropriation, and fraud within business and business organization. However, a survey conducted by Wahdan et al. (2005) revealed that the auditors believe that the auditors work would be used as a guide for investment, valuation of companies, and sometimes in predicting bankruptcy. According to Gilbert (1997), there are three conditions in the business environment which create a demand for an independent audit. They are: conflict of interest, consequence and complexity.

**Conflict of interest**: A company’s financial statements are prepared by its directors and these directors are essentially reporting on their own performance. Users of the financial statements want the statements to portray the company’s financial performance, position and cash flows as accurately as possible. However, they perceive that the directors may bias their report so that it reflects favorably on their management of the company’s affairs. Thus, it can be seen that there is a potential conflict of interest between those who prepare the financial statements and users. The auditors play a vital role in helping to ensure that directors provide, and users are confident of receiving information which is a fair representation of the company’s financial affairs.

**Consequence**: If users of a company’s financial statements base their decisions on unreliable information, they suffer serious financial loss. Therefore, they wish to be assured that the information is reliable and safe to act upon. In this condition, internal auditor’s works add credibility to financial statements and users have peace of mind, when audited financial statements are giving the real picture of company.

**Complexity**: As the information communicated has become more complex, users of information have found it more difficult, or even impossible, to obtain direct assurance about the quality of the information received. As companies have grown in size, the volume of their transactions has increased. As a result of these changes, errors are more likely to creep into the accounting data and the resulting financial statements. Additionally, with the increasing complexity of transactions, accounting systems and financial statements, users of external financial statements are less able to evaluate the quality of the information for themselves. Therefore, there is a growing need for the financial statements to be examined by an independent qualified internal auditor, who has the necessary competence and expertise to understand the entity’s business, its transactions and its accounting system.

In this study, this theory shows the relationship between the internal auditors and the management of the organization and also how to control the efficiency, liquidity and solvency of the firm.

**2.2.2 Lending credibility theory by Thomas Bayers 18th Century**

Volosin, (2007) in his book mentioned that the lending credibility theory is similar to the agency-theory and it states that audited financial statements can enhance stakeholders’ faith in management’s stewardship. The business world consists of different groups that are affected by, or participate in, the financial reporting requirements of the regulatory agencies. They are shareholders, managers, creditors, employees, government and other groups. The major recipients of the annual reports are the shareholders, including individuals with relatively small shareholding and large institutions such as banks or insurance companies. Their decision is usually based on the financial reporting and the performance of the company’s management, who have a responsibility to act in the interests of investors. Thus, the purpose of the financial statements.

The auditor is appointed by the company’s shareholders and reports his results to his clients. The aim of the auditor’s report is to comment on how accurately the company presents its financial situation and how it is performing. This should reassure the shareholders that their investment is secured and also help to reduce the practice of misleading accounting procedures designed to show the company in a more favorable light. Basically, the audit is represented as a process designed to evaluate the credibility of information of a company’s financial statements (Letza, 1996).

This theory shows the relationship of audit system structure between the internal auditors and organization’s management and also the flexibility of internal auditors.

**2.2.3 Contingency theory by Professor Fred Fiedleria (1960)**

The goal of an audit is to test the reliability of a company’s information, policies, practices and procedures. Government regulations require that certain financial institutions undergo independent financial audits, but industry standards can mandate audits in other areas such as safety and technology. Regardless of the audit subject, various factors impact a company’s final results, and the contingency theory takes these factors into account during the audit process.

The contingency theory of leadership and management states that there is no standard method by which organizations can be led, controlled and managed. Organizations and their functions depend on various external and internal factors. The functions of audits are themselves, types of organizations that are affected by various factors in the environment. The presence of such factors is why auditing can be managed by applying the contingency theory, with a recognition that processes and outcomes of audits are dependent on variable and contingent factors. On a broad level, the audit process is straightforward. Auditors require access to documents, systems, policies and procedures to manage an audit. They must remain compliant with industry standards, government regulations and internal requests. Audit teams may begin the audit process with meetings where they gather risk and control awareness, after which the field work begins. During the audit process, auditors perform substantive procedures and test controls. They then draft reports that they submit to management and regulatory authorities. The audit sub processes, particularly in planning and field work, include contingencies such as business type, employee skill level, applicable laws, available audit workforce, available technology and systems, and deadline.

Daft (2010) in his book writes: Contingency means: one thing depends on other things and Contingency theory means: it depends. Audit functions are task-oriented and can be loosely structured. The functions also can vary considerably, depending on the area of a company under audit and the type of business model, so auditors must carefully manage their inspections and take variables into account to get the job done. The contingency theory also can be applied to an audit team’s structure. Typically, audit team managers receive audit projects. They then create ad hoc audit teams for the projects, selecting auditors based on expertise and experience in the subject areas, and on auditor availability, all of which add up to contingencies for any given audit project.

Audit teams use a mix of structure and contingency to get the output rolling quickly. The subject of auditing projects can include such diverse areas as evaluation of production processes, inspection of company accounts, and assessment of compliance with industry standards. Selecting auditors with specialized training or those who have a particular skill set in the subject area minimizes the learning curve and reduces opportunities for errors. The quality and output of audits remain assured when audit teams use resources according to expertise and experience, and when auditors are flexible and can adapt to process fluctuations. For example, an auditor experienced in evaluating financial instruments can be effective in an audit exercise of a bank or hedge fund, even when the financial instruments the institution offers do not fit the typical mound (Davoren, 1994).This theory shows how the financial statement must be accurate with the report of the internal auditorsand also the appointment of auditors after the annual general meeting.

For the purpose of this study, the Agency theory by Stephen Ross and Banny Mitnick (1973) is the most suitable theory because it shows the relationship between the internal auditors and the management of the organization’s and also how to control the efficiency, liquidity and solvency of the organization.

**2.3 Empirical framework**

Unegbu and kida (2020) carried out an empirical study on the effectiveness of the internal audit as instrument of improving organizational performance in Nigeria within the public sector organization, and finally the study show that, internal audit can effectively check fraud and fraudulent activities in the public sector and that certain organization has significant numbers of internal audit departments to function effectively. Data was extracted from the annual report and accounts of 5 sampled banks for the period 2015-2020. Loan loss provision was used as a proxy for management while return on assets (ROA) was used as proxy for bank financial output. The study employed linear regression of pooled ordinary lease square for data analysis. Findings from the study revealed that management exist in the Nigeria Money Deposit Banks. However, the data is primary data collected through questionnaires the study could not establish any statistical significant effect on internal auditors on ROA. It is therefore, recommended that even though the relationship between the variables are not significant, proper and adequate measures should be put in place for the evaluation, examination and scrutinization of financial statement of DMBs.

Shoommunangpak and Ussahawanitchakit (2021) view audit effectiveness as achieving audit objectives by gathering of sufficient and appropriates audit evidence in order to express reasonable opinion regarding to the financial statement compliance with general accepted principles, Mizrahi and Ness-Weisman (2007) express audit effectiveness as the number and scope of deficiency corrected following the audit processing. This research was done using census data analysis methods to test the hypothesis was regression analysis using SPSS. The data is secondary data. This study concluded that there was a negative influence of the internal control effectiveness on the performance of the bank (2017-2020).

Abubakar (2009) state that effective internal auditor professionals should possess the following characteristics: ability to align the structure internal audit with the dynamics of the organization operation; there should be strong relationship between management skills for maintaining appropriate visibility and audit committee needs and expectations; there should be strong service delivery capabilities consistency in approach, standard, and delivery, including the abilities to maintain audit focus and alignment of resources to the plan; there should be strong management skills which will ensure that internal audit team have appropriate skills and motivation qualification of the internal auditors influenced the effectiveness of internal audit. The above characteristics are essential and we see them as building blocks to effective internal audit system. Theoretically, the internal audit function exists to help members of an organization to improve the performance of their activities. It also become more important because an effective internal audit function is considered part of the solution to the perceived breakdown in the systems of business reporting, internal control and ethical behavior (2015-2019). The test of hypothesis was regression analysis using ROCE. The data is secondary data collected.

A study by Isenmila and Elijah (2019) examine the relationship between management and internal auditor reporting for first bank plc for the post – IFRS period 2005-2019. According to the findings of the study, auditors, either Big4 or non-Big4, had weak incentives to prevent management, and the audit opinion qualification was not issued in response to management’s opportunistic behaviour. However, this study by investigates the effect of management using management proxy and ROCE as firm value proxy. They used regression and findings revealed that it can positively affect the internal control.

Simangunsong (2020), examined the impact of internal control effectiveness and internal audit role toward the financial output of the bank. This research was conducted by census data analysis methods to test the hypothesis was regression analysis using SPSS. The data is primary data collected through questionnaires. This study conducted the validity and reliability test before the hypothesis test. This study concludes that there was a positive influence of the internal control effectiveness and internal audit role on the financial output of the bank (2016-2020).

Kehinde (2013) studied Fraud Prevention and Internal Control in the Nigerian Banking System. His objective was to examine the issues of internal control viz., fraud prevention in the banking industry. He adopted both primary and secondary data (2010-2013). Primary data was used to test internal control while secondary data were employed to test fraud prevention. The main primary variables were separation of duties, monitoring, and staff qualifications while the main secondary variables are bank profit, regulation, technology and M2. In both cases regression techniques were adopted. The results show that internal control on its own is effective against fraud, but not all staff are committed to it, while the secondary data is quite supportive of the primary data but more exemplifying in that M2, staff qualifications and technology were significant throughout the various dependent variables. It is also clear from the regressions that technological based fraud is significant. The paper recommended the continuation of the cashless policy of the Central Bank to reduce available cash and improvement in educated staff engagement to reduce fraud in the banking system. The research work is based on the effect of internal control on organizational performance of local government.

The major objective of this study is to assess the effect of internal control on organizational financial output of local government in which Ojo Local Government was used as a case study. Various literatures, textbooks, journals and materials from the internet were used for the study. Survey research design was used and both Primary and secondary source of data were also used. Eighty-three (83) Questionnaires were administered as the sample size of the study using a Simple random sampling technique. The data collected were analyzed using simple percentage method. Two (2) hypotheses were formulated and tested using chi-square. The test revealed that internal control system aids adequate financial reporting and internal control system helps in preventing and detecting errors, frauds and material misstatement. In conclusion, the presentation and analysis of data, it was established by the respondents that Ojo Local Government has always attached importance to internal control and at the same time its managements and staff has adhered strictly to guidelines. This has enhanced the performance of the Local Government in terms of finance, quality of service rendered to the public and staff welfare. Therefore it is recommended that, recruitment of staff must not be based on sentiments or favoritisms but rather on the skill and competence of the applicants with reference from people with integrity.

Ezejiofor (2020) This study examines the effect of internal audit function on financial performance of commercial banks in Nigeria. The specific objectives of the study are to: determine the extent internal audit control significantly improve the financial output of commercial banks in Nigeria and ascertain the level of internal audit procedures in curbing fraud to facilitate financial performance of commercial banks in Nigeria (2018-2020). This study adopted survey research design. The population of the study consists of seven (7) branches each from five (5) selected commercial banks in Enugu metropolis, Enugu State of Nigeria, which comprises of managers, internal control officers, fund transfer officer, and cash officers. Data collected for the study were analyzed by the researchers using frequency counts, mean score and standard deviation. The two hypotheses were tested using simple regression statistical tool with aid of SPSS version 20.0 at 5% level of significance. The analysis revealed that internal audit control and procedures have positive effect on financial performance of commercial banks in Nigeria and this effect is statistically significant at 5% level of significance. The researchers recommended that the internal audit function in commercial banks in Nigeria internal audit department should ensure that financial fraud in their various establishments is being controlled and reduced to zero level. Keywords: Internal Audit Function, Financial Performance and Commercial Banks.

Ziniyel, Otoo and Andzie (2018) assessed the effectiveness of internal audit practice on financial management. A descriptive cross-sectional research design was used to analyze the research problem. Questionnaire and interview guide were used as the sources of data collection from audit staff, account staff and heads of institution across different campuses in one of the universities in Ghana (2016-2018). Data were analyzed with descriptive statistics binary logistics regression framework. The study revealed that the financial performance of internal auditors regarding the mandated guidance in the university is very great as indicated by 58.8% of the respondents. The study concluded that there are effective internal audit practices necessary for influencing financial output.

Bunu and Omwenga (2017) determined the effect of internal control systems on financial output of Lamu County. The study collected both primary and secondary data. The researcher used structured questionnaires to collect primary data. Data was analyzed using descriptive statistical methods, frequencies and percentage with the aid of Microsoft Excel. The study concludes that Lamu County has an effective internal audit function that plays the role of monitoring and evaluating organization activities; it has an effective and efficient internal audit function which is able to detect fraud, but it is not able to prevent and control it.

Mohammed, Shamsher, Taufiq and Zulkarnain (2011) examined the impact of the quality of the internal audit function (IAF), an integral part of corporate governance structure, on the financial reporting quality (FRQ) of all Saudi companies listed in the Saudi stock exchange (TADAWL) in 2009, excluding banks. Both secondary and primary information was collected through a matched survey and interview of internal and external auditors. The findings show weak association between IAF quality and FRQ.

Abeer (2015) identify the impact of the internal audit function to improve the financial performance of the Jordanian commercial banks. The questionnaire was distributed to internal auditors working in the Internal Audit Department in the Jordanian commercial banks, and was analyzed by statistical package for social sciences (SPSS) program. The study found that the Jordanian banks are interested in the quality of internal audit and management of the internal audit activities and assess the risks of the internal audit process and that there is the effect of the function of internal Audit to improve financial performance.

Ejoh and Ejom (2014) sought to establish the relationship between internal audit function and financial output in Tertiary Institutions in Nigeria with particular reference to Cross River State College of Education, Akamkpa. Data was collected using questionnaires and the data were analyzed using simple percentages, tables, correlation coefficient and z-scores. The study revealed that all activities of the College are initiated by the top management. On the effectiveness of internal audit, the study found that the internal audit department of the College is not sufficiently staffed, does not perform their duties with greater degree of autonomy and independence from management.

Nurdiono (2018) This study examines that accountability is one of the fundamental elements of good governance manifestation that currently is strived in Indonesia. Transparency and accountability of regional financial management requires a supervisory agency of local government, an internal Auditor (inspectorate) to improve the accounting quality (2016-2018). The aim of this study is to provide empirical evidence on how the internal auditor’s competency can affect internal audit quality in local government, and how its implication toward accountability of local government will be beneficial. The study is done with the population of all inspectorates in regency/city of Lampung Province, by using path analysis of Partial Least Square (PLS). The result of this study gives empirical evidence that internal auditor (inspectorate) competency positively and significantly affects internal audit quality. Likewise, internal audit quality positively and significantly affects financial accountability of regency/city of Lampung. The data is primary data collected through questionnaires. The higher the internal auditor competency, the better audit quality that is proxied by the number of findings by internal audit. Based on descriptive and verificative approach in all Province/City/Regency Inspectorates in Lampung, it shows that internal auditors (inspectorate) have been adequately competent, but there are some regions that have not been competent (have not had adequate education level and skill). Accountability of local government of regency/city of Lampung is quite accountable, but not all regions of regency/city produce maximal opinion (WTP). Keywords: Internal auditor competency, audit quality, accountability of local government.

Ziniyel, Otoo and Andzie (2018) Internal audit practice is a basis for effective public institution financial management and it is important for assuming effective and efficient application of appropriate controls. The research aimed at assessing the effectiveness of internal audit practice on financial management. A descriptive cross-sectional research design was used to analyze the research problem. Questionnaire and interview guide were used to gather primary data from audit staff, account staff and heads of institution across different campuses in one of the universities in Ghana. Data were analyzed with descriptive statistics binary logistics regression framework. The study reveals that the financial performance of internal auditors regarding the mandated guidance in the university is very great as indicated by 58.8% of the respondents. Internal auditors in the university have relevant qualification and experience to influence financial performance. In addition, the independence of internal audit function and management assistance were identified as significant determinants of financial performance in the university. Challenges including inadequate staff, accommodation, and lack of office space are currently facing internal audit in the university. Finally, management implementation of internal audit recommendation has been found not to be effective. The study concluded that there are effective internal audit practices necessary for influencing financial performance. The challenges associated with internal audit practices limits the extent to which financial performance could be improved. It is recommended that management of the university should focus on recruitment of internal auditors for the various faculties than upgrading the existing ones. Keywords: Auditing, independence, financial output.

**2.4 Summary of literature review and research gap**

From the literature review, several researchers seem to concur that there is a relationship between internal audit and financial output of an organization. These conclusions were confirmed after empirical evidence was obtained from the research. However there seems to be very few studies done on effects of internal audit financial output in the organizations. The literature and the institute of internal audit definition of internal indicate that internal auditing has become an integral part of organizational structure as a value adding service to organizations. This research work is therefore positioned to fill the gap by assessing the effect of internal audit in organization’s as (independent variables) on the financial output by profitability using gross profit margin as (dependent variables) from its inception in 2000 (when it became effective) to 2020. This review has revealed much that would help the researcher carry out the research better informed.

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| --- | --- | --- | --- | --- |
| **AUTHORS/(S)** | **SAMPLE AND PERIOD** | **DESIGN** | **RESULTS AND CONCLUSION** | **RESEARCH GAP** |
| Unegbu and Kida (2020) | Annual report of 5 sample bank (2015-2020) | Primary data | The study revealed that management exit in the Nigeria money deposit bank. | The research gap between this author findings and my own research is that I made use of financial efficiency, liquidity and solvency for my own research. |
| Shoommunangpak and Ussahawanitchakit (2021) | Annual report of the bank  (2017-2021) | Secondary data | The study concluded that there was a negative influence of the internal control effectiveness on the financial output of the bank. | The research gap between this author findings and my own research is that I made use of financial efficiency, liquidity and solvency for my own research. |
| **AUTHORS/(S)** | **SAMPLE AND PERIOD** | **DESIGN** | **RESULTS AND CONCLUSION** | **RESEARCH GAP** |
| Alberta (2020) | Regression analysis  (2015-2019) | Secondary data | Effective internal audit function is considered part of the part of the perceived breakdown in the system of the business reporting, internal control and ethical behavior. | The research gap between this author findings and my own research is that I made use of financial efficiency, liquidity and solvency for my own research. |
| Isenmila and Elijah (2019) | IFRS period  (2016-2019) | Primary data | The findings revealed that it can positively affect the internal control. | The research gap between this author findings and my own research is that I made use of financial efficiency, liquidity and solvency for my own research. |
| Simangunsong (2020) | Regression analysis  (2016-2020) | Primary data | The study concludes that there was a positive influence of internal control effectiveness and internal audit role on the financial output of the bank. | The research gap between this author findings and my own research is that I made use of financial efficiency, liquidity and solvency for my own research. |
| **AUTHORS/(S)** | **SAMPLE AND PERIOD** | **DESIGN** | **RESULTS AND CONCLUSION** | **RESEARCH GAP** |
| Kehinde (2013) | (2010-2013) | Primary & Secondary data | It was established by the respondents that Oyo local government has always attached importance to internal control system helps in preventing and detecting errors, fraud and material misstatement. | The research gap between this author findings and my own research is that I made use of financial efficiency, liquidity and solvency for my own research. |
| Ezejiofor (2020) | (2018-2020) | Primary data | The researcher recommended that the internal audit function in commercial banks in Nigeria. Internal audit department ensure the financial fraud in their various establishment is being controlled to zero level. | The research gap between this author findings and my own research is that I made use of financial efficiency, liquidity and solvency for my own research. |
|  |  |  |  |  |
| **AUTHORS/(S)** | **SAMPLE AND PERIOD** | **DESIGN** | **RESULTS AND CONCLUSION** | **RESEARCH GAP** |
| Ziniyel, Otoo and Andzee (2018) | (2016-2018) | Primary data | The study concluded that revealed that there are effective internal audit practices necessary for influencing financial output. | The research gap between this author findings and my own research is that I made use of financial efficiency, liquidity and solvency for my own research. |
| Bunu and Omwenga (2017) | (2015-2017) | Primary data | The study concluded that Lamu county has an effective internal audit function that plays the role of monitoring and evaluating organization activities. | The research gap between this author findings and my own research is that I made use of financial efficiency, liquidity and solvency for my own research. |
| Nurdiono (2018) | (2016-2018) | Primary data | The result of this study gives empirical evidence that internal auditor (inspectorate) competency positively and significantly affects financial accountability. | The research gap between this author findings and my own research is that I made use of financial efficiency, liquidity and solvency for my own research. |

**CHAPTER THREE**

**METHODOLOGY**

This chapter discusses the research design adopted for the study, the population and sample and sampling selection techniques. It also discusses the method of analysis and model specification showing the relationships among variables.

* 1. **Research design**

The researcher used descriptive research survey design as the basis for this work. The choice of this research design was considered appropriate because of its advantages which are that, descriptive survey identifies attributes of a large population from a sample of objects. Samples survey are fast to conduct and are cost effective.

* 1. **Population of the study and method of population determination**

Population of a study is a group of objects or items, which the researcher is interested in getting information from. The population of this study consists of the number of staff in the operation department of First Bank Nigeria Plc. All First Bank Nigeria Plc include managers and other operational staff which are 10,033 in total.

* 1. **Sample size and sample size determination**

The sampling technique was convenience sampling whereby data were collected from all the limited branches in Akwa – Ibom state. Sample size was taken as 90.

First Bank Nigeria Ltd in 2, Stadium Road, Ikot Ekpene, Akwa-Ibom. 18

First Bank Nigeria Ltd in 6A, Market Road, Abak, Akwa-Ibom. 18

First Bank Nigeria Ltd in 68, Grace Bill Road, Eket, Akwa-Ibom. 18

First Bank Nigeria Ltd in Plot 4, Federal Housing Estate, Abak Road, Akwa-Ibom. 18

First Bank Nigeria Ltd in 105, Oron Road, Oron, Akwa-Ibom. 18

[The total number of population staff of First Bank Nigeria Ltd in the above branches are 90.](https://www.vconnect.com/first-bank-nigeria-plc-apapa-lagos_b439281)

**3.4 Source of data and method of data collection**

Data were collected from secondary and primary sources. 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 questionnaire in which the respondents were required to give specific answer to a question by ticking in front of an appropriate answer and administered the same on staff of the two organizations: The questionnaire contained structured questions which respondents filled using a 4-Point Likert Scale; Strongly Agree (SA), Agree(A), Disagree(D), Strongly Disagree (SD). It was divided into sections A and B. Section A is concerned with the bio-data of the respondents and section B is concerned with the response of the respondents to the research questions.

* 1. **Method of data analysis**

A simple percentage approach was employed to analyse the questionnaire. Fifteen questions from the questionnaire were grouped under the three research questions respectively. Simple percentages were calculated for each research question, as derived from the responses by the respondents. Data were analyzed by coding; the responses got were converted to frequency tables and percentages. The secondary data was derived from the annual reports of First Bank Nigeria Plc for five years (2018-2022). Primary data from the questionnaire distributed to respondents was against the secondary data from the annual report of First Bank Plc. To bring the data to same from the percentages of respondents were used against the percentages of secondary data collected.

Tables and percentages were employed to analyse the data and answer the research questions, while the statistical tool used in testing the hypothesis was the Pearson Product Moment Correlation (PPMC), with the aid of the Statistical Package for Social Sciences (SPSS) version 23.0.

The level of significance for the data analysed was at 5%. The null hypotheses was rejected if the computed P. value is less than or equal to the significant level at 0.05 level of significance (P,<0.05). Otherwise, confirm the null hypotheses if the computed P-value is greater than the significant level (P>0.05).

**3.6 Model specification**

The following model was adopted in the study where output is a function of internal audit standards (IAS), independence of internal audit (IIA), professional competency (PC), and internal control in the bank (IC):

*PERF it = f (IAS, IIA, PC, IC) …………………………………………………………… (1)*

Where;

PERF = financial output of the bank

IAS = internal audit standards

IIA = independence of internal audit

PC = professional competency

IC = internal control

**Analytical model**

The following regression mode was used to perform data analysis

PROF = β0 + β1IAS + β2 IIA + β3 PC + β4 IC + ε………………………………………. (2)

Output of the bank was measured using financial output measures which include the profitability of the bank that is return on assets.

Independent of internal audit was measured using the level of independence of internal auditors in respective commercial bank.

Internal audit standard was measured using various internal audit standards adopted by the commercial bank.

Professional competency was measured using the level of independent internal auditor in specific commercial bank. Internal control was measured by the various internal controls in each commercial bank.

**3.7** **Reliability of instrumentation**

Primary data was collected using semi structure questionnaire. Prior to beginning the study the questionnaire was tested for objectivity, validity and reliability by conducting a pilot study on some staff of FIRS representing the sample that were not included in the final study. This enabled the study to make modifications and remove any ambiguities in questions and areas in the questionnaire and to evaluate the standard of the questionnaire.

The reliability of the research instrument adopted in this study was tested using the Cronbach’s Alpha reliability tool. Cronbach’s Alpha method was used to determine the reliability and estimate the internal consistency of the instrument. Data generated were analysed with Cronbach’s Alpha reliability techniques in which the reliability coefficient was obtained.

* 1. **Validity of instrument**

Validation is the giving the questionnaire items for experts to make corrections, comment and professional input. The concept of validity can also be evaluated from the perspective of whether the instrument actually measures what it is designed to measure. A research design is said to be valid when it enables the researcher to obtain correct responses from the sample objects, otherwise it is faculty. In the light of this, the instrument was subjected to face validation, by few research experts, as well as some lecturers and the supervisor in charge of the research work in the Department of Accounting, Akwa Ibom State University for critical review and corrections in relation to the research questions. The comments, corrections and suggestion of the validates were used to produce the final draft of the questionnaire to enhance the validity of the study.

**3.9 Limitation of the study**

The researcher encounters some constrain which limited the scope of the study;

The research material available to the researcher was insufficient to measure the data of two sources which are the primary and secondary data, secondary data are cooperate entity while the primary data where limited to only First Bank Plc in Nigeria thereby limiting the study. The time frame allocated to the study does not enhance wider coverage as the researcher has to combine other academic activities and examinations with the study. Limited Access to the selected auditing firm makes it difficult to get all the necessary and required information concerning the activities.

**CHAPTER FOUR**

**DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGDS**

This chapter was designed for the presentation, analysis, and interpretation of the data collected. The analysis was done using the Statistical Package for Social Science (SPSS) software.

**4.1 Data presentation**

**Table 4.1 Operational measurement of variables (Secondary data) from First Bank Nigeria Plc (2018-2022)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **VARIABLE** | **MEASUREMENT** | **YEAR** | **DATA %** | **DATA** | **AVERAGE OF FIVE YEARS** |
| Financial Efficiency:  ROCE | Net profit / Capital employed \* 100 | 2018  2019  2020  2021  2022 | 20%  18%  10%  11%  18% | 0.2  0.177  0.1  0.11  0.18 | **0.076** |
| Liquidity:  Current ratio | Current assets/ Current liabilities | 2018  2019  2020  2021  2022 | 3.9%  0.02%  0.19%  0.20%  0.17% | 0.039  0.0002  0.0019  0.0002  0.00017 | **0.008** |
| Solvency | Long term debt/ Shareholders funds | 2018  2019  2020  2021  2022 | 2.12%  0.20%  0.19%  0.31%  0.03% | 0.0212  0.0020  0.0019  0.0031  0.00003 | **0.006** |

Source: Field survey, 2023

**Table 4.1.1 Showing summary of responses from the questionnaire and in percentages**

**(%)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| S/N | Research Questions 1: frequency of meeting of internal auditors with audit committee members | No of Respondents / Percentages | | | | Total |
| SA  % | A  (%) | D  (%) | SD  (%) |
| 1 | There is a relationship between frequency of meeting and audit committee | 20  (35.71%) | 29  (51.79%) | 7  (12.5%) | -  - | 56  (100%) |
| 2 | Internal auditing techniques is Determine by the total number of frequency of meeting which has a negative effect on audit committee. | -  - | 4  (7.14%) | 29  (51.56%) | 23  (41.1%) | 56  (100%) |
| 3 | Frequency of meeting has a positive effect on organizations financial efficiency. | 18  (32.14%) | 28  (50%) | 4  (7.14%) | 6  (10.72) | 56  (100%) |
| 4 | There is a relationship between financial efficiency and frequency of meeting | 30  (53.6%) | 19  (33.90%) | 3  (5.36%) | 4  (7.14%) | 56  (100%) |
| 5 | Frequency of meetings leads to organization growth and better audit committee. | 9  (16.1%) | 12  (21.40%) | 17  (30.36%) | 18  (32.14%) | 56  (100%) |
|  | | | | | | |
| 6 | Internal audit activities procedures is of relevance to the organization liquidity. | 6  (10.70%) | 14  (25%) | 16  (28.6%) | 20  (35.70%) | 56  (100%) |
| 7 | Organizational growth and internal audit activities is dependent on organization liquidity. | 2  (3.57%) | 9  (16.1%) | 37  (66.1%) | 8  (14.23%) | 56  (100%) |
| 8 | The organization need the internal audit activities in other to cumulate the organization liquiwdity. | -  - | 9  (16.1%) | 37  (66.1%) | 10  (17.80) | 56  (100%) |
| 9 | The organization need internal audit activities for organization growth. | 10  (17.86%) | 10  (17.86%) | 19  (33.92%) | 17  (30.36%) | 56  (100%) |
| 10 | The organization cannot on its own perform effectively without internal audit activities. | 25  (44.64%) | 24  (42.86%) | 4  (7.14%) | 3  (5.36%) | 56  (100%) |
|  | | | | | | |
| 11 | Periodic audit activities has played an important role in enhancing organization solvency. | 29  (51.79%) | 23  (41.1%) | 4  (7.11%) | -  - | 56  (100%) |
| 12 | Periodic audit report are use in fraud detection. | 16  (28.56%) | 28  (50%) | 2  (3.57%) | 10  (17.87%) | 56  (100%) |
| 13 | To what extent do internal controls affect periodic audit report of First Bank Nig. Plc? | 20  (35.71%) | 20  (35.71%) | 6  (10.71%) | 10  (17.87%) | 56  (100%) |
| 14 | The internal auditors has express a true and fair judgement on the periodic audit report. | 28  (50%) | 20  (35.71%) | 2  (3.57%) | 6  (10.72%) | 56  (100%) |
| 15 | Internal auditing techniques are needed in all periodic audit report. | 31  (55.4%) | 17  (30.4%) | 5  (8.9%) | 3  (5.3%) | 56  (100%) |
|  |  |  |  |  |  |  |

Source: Field survey, 2023

Seventy-three (73) questionnaires were distributed to the respondents, which 56 were duly completed and returned while 17 were not returned.

**Table 4.1.2 Questionnaires distributed and returned**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Organizational  Level | Number  Distributed | Number  Returned | Percentage  Returned (%) | Not  Returned | Percentage Not Returned |
| Managers | 25 | 17 | 30 | 8 | 47 |
| Internal Auditors | 48 | 39 | 70 | 9 | 53 |
| Total | 73 | 56 | 100 | 17 | 100 |

***Source of field survey 2023.***

**Table 4.1.3 Gender of respondents**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Sex | Frequency | Percent | Valid Percent | Cumulative percent |
| Male | 38 | 67.9 | 67.9 | 67.9 |
| Valid Female | 18 | 32.1 | 100.0 | 100.0 |
| Total | 56 | 100.0 |  |  |

***Source field survey 2023.***

**Table 4.1.4 Age group of respondents**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Age | Frequency | Percent | Valid Percent | Cumulative Frequency |
| 20-29  30-39  40-49  Valid  50-59  60 and above  Total | 4  9  11  20  12  **56** | 7.1  16.1  19.6  35.7  21.4  **100.0** | 7.1  16.1  19.6  35.7  21.4  **100.0** | 7.1  23.2  42.9  78.6  100.0 |

***Source field survey 2023***

**Table 4.1.5 Marital status of respondent**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Marital Status | Frequency | Percent | Valid Percent | Cumulative Frequency |
| Married  Single  Valid  Divorced Widow/widower  Total | 39  9  2  6  56 | 69.6  16.1  3.6  10.7  **100.0** | 69.6  16.1  3.6  10.7  **100.0** | 69.6  85.7  89.3  100.0 |

***Source field survey 2023***

**Table 4.1.6 Qualification of respondent**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Qualification | Frequency | Percent | Valid Percent | Cumulative Percent |
| GCE/WAEC  Diploma/NCF  Degree/HND  Masters, PHD and others  Total | 1  4  26  25  **56** | 1.8  7.1  46.4  44.6  **100.0** | 1.8  7.1  46.4  44.6  **100.0** | 1.8  8.9  55.4  100.0 |

***Source field survey 2023***

**4.2 Data analysis**

The researcher converted the response from the four point Likert scale to data for analysis by calculating the total number of responses for each sentiment level (Strongly disagree (SD);Disagree (D); Agree (A); Strongly Agree (SA) for each question on the questionnaire. This was done by multiplying the numerical value of each sentiment level by the number of respondents (Appendix 3).

**Research question one:** Does frequency of meeting of internal auditors with audit committee members of First Bank Plc related with organizational efficiency?

H01:  There is no significant relationship between frequency of meetings of internal auditors with audit committee members of First Bank Nigeria Plc and financial efficiency.

H11: There is significant relationship between the frequency of meetings of internal auditors with audit committee members of First Bank Nigeria Plc and the financial efficiency.

From table 4.1 the average of financial efficiency (ROCE) for five years was 0.076 (representing secondary data). The summary of research question one (from Appendix 3) showed 0.41 (representing primary data). The analysis of the secondary data showed that financial efficiency was 20% in 2018, 17.7% in 2019, 0.10% in 2020, 0.11% in 2021 and 0.18% in 2022. An average of these five years used in the study was made by adding up the results for the five years and dividing by 5. This gave a result of 7.6% (0.076).

The analysis of primary data was done from the data presented on Table 4.1.1: Research question one have five questions from the questionnaire which helped in analyzing it. The table showed that 56 respondents gave answers to the questions. It revealed that 20 respondents representing (35.71%) Strongly agreed that there is a relationship between frequency of meeting of internal auditors with audit committee members. Responses elicited from that question further showed that 29 respondents representing (51.79) Agreed, and 7 respondents respecting (12.5%) disagreed. The summary of research question one was however presented in the attached (Appendix 3) which showed 41% which was used in the test of hypothesis.

**Research question two:** To what extent does internal audit activities of First Bank Nigeria PLC relate with the organization’s liquidity?

Ho2 There is no significant relationship between internal audit activities and the liquidity of First Bank Nigeria plc.

H12: There is a significant relationship between internal audit activities and the liquidity of First Bank Nigeria plc.

From table 4.1 the average of Liquidity ratio was 0.008 for five (representing secondary data). The summary of research question two (from Appendix 3) showed 0.38 (representing primary data). The analysis of the secondary data showed that liquidity ratio was 3.9% in 2018, 0.02% in 2019, 0.19% in 2020, 0.20% in 2021 and 0.17% in 2022. An average of these five years used in the study was made by adding up the results for the five years and dividing by 5. This gave a result of 0.8% (0.008).

The analysis of primary data was done from the data presented on Table 4.1.1: Research question two have five questions from the questionnaire which helped in analyzing it. The table showed that 56 respondents gave answers to the questions. It revealed that 6 respondents presenting (10.70%) Strongly agreed that there is a relationship between frequency of meeting of internal auditors with audit committee members. Responses elicited from that question further showed that 14 respondents representing (25%) Agreed, and 16 respondents respecting (28.6%) disagreed, 20 respondents respecting (35.70%) strongly disagreed. The summary of research question two was however presented in the attached (Appendix---) which showed 38% which was used in the test of hypothesis.

**Research question three:** To what extent is the relationship between periodic audit report and the solvency of First Bank Nigeria PLC?

Ho3: There is no significant relationship between audit report and the solvency of First Bank Nigeria Plc.

H13: There is a significant relationship between audit report and the solvency of First Bank Nigeria Plc.

From table 4.1 the average of solvency was 0.006 for five (representing secondary data). The summary of research question three (from Appendix 3) showed 0.244 (representing primary data). The analysis of the secondary data showed that solvency was 2.12% in 2018, 0.20% in 2019, 0.19% in 2020, 0.31% in 2021 and 0.03% in 2022. An average of these five years used in the study was made by adding up the results for the five years and dividing by 5. This gave a result of 0.6% (0.006).

The analysis of primary data was done from the data presented on Table 4.1.1: Research question three have five questions from the questionnaire which helped in analyzing it. The table showed that 56 respondents gave answers to the questions. It revealed that 29 respondents representing (51.79%) Strongly agreed that there is a relationship between frequency of meeting of internal auditors with audit committee members. Responses elicited from that question further showed that 23 respondents representing (41.1%) Agreed, and 4 respondents respecting (7.11%) disagreed. The summary of research question three was however presented in the attached (Appendix 3) which showed 244% which was used in the test of hypothesis.

**4.3 Test of hypotheses**

This section provides the analysis of the hypotheses formulated in the study as well as the implications.

Hypothesis One; This is no significant relationship between the frequency of meetings of internal auditors with audit committee member of First Bank Nigeria Plc and the financial efficiency of the bank.

**4.3.1 Pearson product moment correlation (PPMC) test results**

The statistical tool used in testing hypothesis one above was the Pearson product moment correlation (PPMC).

**Table 4.1.2. Showing correlation analysis of frequency of meeting of internal auditors with audit committee members (FRQM) with financial efficiency (FNCY) of first bank of Nigeria Plc.**

|  |  |  |  |
| --- | --- | --- | --- |
|  | | **Frequency of Meetings (FRQM)** | **Financial Efficiency (FNCY)** |
| Frequency of meetings (FRQM) | Pearson Correlation | 1 | 0.662 |
| Sis. (2 tailed) |  | 0.050 |
| N | 56 | 56 |
| Financial Efficiency (FNCY) | Pearson correlation | .662 | 1 |
| Sis. (2 tailed) | 0.05 |  |
| N | 56 | 56 |

Correlation is significant at the 0.05 level (2 tailed).

Source: field data computation from SPSS 23.0

Correlation analysis from table 4.1.2 shows that the Pearson correlation coefficient (r) between frequency of meetings (FRQM) and financial efficiency (FNCY) of first bank plc is 0.662, which indicate a strong positive relationship using our decision criteria earlier stated in 3.6 above, we reject the null hypothesis one (Ho1) and accept the alternate hypothesis (H11) which states that there is a significant relationship between frequency of meeting of internal auditors with the audit committee members of first bank of Nigeria plc. The strong relationship is evidenced from the responses from the questionnaire on the research questions supporting the hypothesis, as well as data derived from the secondary source which relates to the hypothesis one.

Hypothesis two: there is no significant relationship between internal audit activities and the liquidity of first bank Nigeria plc.

**Table 4.1.3 showing correlation analysis of internal audit activities (IAA) and the liquidity(LIQ) of first bank of Nigeria Plc.**

|  |  |  |  |
| --- | --- | --- | --- |
|  | | Internal Audit Activities (IAA) | Liquidity (LIQ) |
| Internal Audit Activities(IAA) | Pearson Correlation | 1 | 0.557 |
| Sis. (2 tailed) |  | 0.001 |
| N | 56 | 56 |
| Liquidity(LIQ) | Pearson correlation | 0.557 | 1 |
| Sis. (2 tailed) | 0.05 |  |
| N | 56 | 56 |

Correlation is significant at the 0.05 level (2-tailed)

Source: field data computation from SPSS 23.0

In table 4.1.3 above, the Pearson Correlation coefficient (v) between internal audit activities (IAA) and liquidity (LIQ) of First Bank Nigeria Plc showed 0.557. This clearly shows that there is a strong positive relationship between the variables. More so, this result 0.557 is greater than the significant level. Therefore, the null hypothesis two was rejected, and the alternate hypothesis accepted.

Hypothesis three: There is no significant relationship between audit report (AUD) and the solvency (SOL) of First Bank Nigeria Plc.

**Table 4.1.4 Showed correlation analysis of audit report (AUD) and the solvency (SOL) of First Bank Nigeria Plc**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Audit Report (AUD)** | **Solvency (SOL)** |
| Audit Report  (AUD) | Pearson Correlation | 1 | 0.589 |
| Significant (2-tailed) |  | 0.OO1 |
| N | 56 | 56 |
| Solvency  (SOL) | Person Correlation | 0.589 | 1 |
| Significant (2-tailed) | 0.05 |  |
| N | 56 | 56 |

Correlation is significant at the 0.05 level (2-tailed)

Source: SPSS Computation from the field.

From table 4.1.4 The Pearson Correlation Coefficient (r) between audit report (AUD) as solvency (SOL) of First Bank Nigeria Plc showed 0.589. This indicates a strong positive relationship between the independent and the dependent variables in this study. The result indicates that we should reject the null hypothesis three and accept the alternate. Therefore, there is a strong positive relationship between audit report and the solvency of First Bank Nigeria Plc.

**4.4 Discussion of findings**

The findings obtained from the study based on the research questions reveal a positive significant relationship between internal audit and financial performance of First Bank Nigeria Plc.

Data for the study came from two sources, the primary and secondary sources. The primary sources were responses from 56 respondents and the data were used for the independent variables. The data from the secondary sources were used to test hypothesis which related to dependent variables.

Responses on the frequency of meetings between internal auditors and audit committee members showed that the meeting had been frequently held. Frequency of the meeting would mean exercising control on activities that would checkmate fraud and unnecessary wastages which is the duty of control expected by the internal audit unit and the audit committee. The data from the secondary source indicated and average figure of 7.6%. The correlation of these data gave the result to show that financial efficiency can be achieved whenever control measures are put in place by the bank.

The findings on the relationship between internal audit activities and the liquidity of the bank showed a positive significant relationship between them. Data from the primary source showed that the respondents responded to questions elicited for internal audit function as being very necessary for the bank’s financial output. The findings confirm the apriori expectation in accounting that internal audit activities help to shape the organization for going- concern status in every dimension. This control gives rise to the cash flow management which ensures availability of cash every time it is needed for operations in the bank.

The findings on the relationship between audit report and solvency of First Bank Nigeria Plc showed a significant positive relationship. This finding reveal that the internal audit report have been consistent and favorable from the responses derived from the questionnaires collected. In the same vein, solvency of the bank for the period under study showed consistency in the data which proved this fact. The significant positive relationship was made possible owing to proactive, rather than reactive posture of the internal audit unit of the bank. Adequate internal control must have been carried out by the internal audit unit of the bank, which gave rise to positive indicators of solvency, have the findings showing a significant positive relationship

**CHAPTER FIVE**

**SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION**

This chapter discussion focus on the summary of major findings, conclusion drawn, recommendations, contribution to knowledge and recommendations for further studies.

**5.1 Summary of Findings**

The findings as contained in chapter four are analyzed in this section. The research findings were also compared with the theoretical framework and the conceptual review earlier addressed in the chapter two. This made the researcher to draw conclusions and make appropriate recommendations.

There is significant relationship between frequency of meetings of internal auditors with audit committee members of First Bank Nigeria Plc as rejected in the test of hypothesis 1. This is so because the frequency of meeting made it possible to exert control on operations in the bank. The audit committee members representing the shareholders would have been satisfied because thus interest of the shareholders were protected, which must have been in line with the operations of the management of First Bank Plc.

The internal audit activities in First Bank has been in top gear, as revealed by the findings in hypothesis 2. This positively related with the liquidity status of the bank over the years under study. This liquidity depended on the sound internal audit activities in the bank for the years under study.

It is expected that quality internal audit report would support the solvency status of the bank. The study revealed by the findings in hypothesis 3 that First Bank Nigeria Plc has been solvent for the period under study, hence the significant positive relationship between the independent and dependent variables.

**5.2 Conclusion**

Evidence from this study and other empirical findings reviewed indicates that internal audit practice relates positively with the financial performance of First Bank Nigeria Plc. The proxies of the independent variables-frequency of meetings of internal auditors with the audit committee members, internal audit activities by the internal auditors, and the internal audit report to management related with the variables of the dependent variables significantly and positively.

In short, there was a significant positive relationship among the proxies of the variables used in this study.

**5.3 Recommendations**

The following recommendations are made, based on the findings of the study thus:

1. The internal audit department of First Bank Plc is performing its role articulately. It is recommended that the management of the bank should ensure there is succession plan for the employees in the internal audit unit of the bank so that even when the staff would leave office, new hands can benefit from the standard set by the staff of the unit for the period under study.
2. Technology in financial management and control is presently in vogue in the banking industry. It is recommended that the use of financial technology should be sustained and upgraded whenever it is due to continue engender the operations of the internal auditors in the bank.
3. The secondary data obtained from the annual reports shows that there is corporate governance, wherewith the audit committee works in synergy with the management from the report represented by the internal audit. It is recommended that the corporate governance principles be sustained to maintain the significant positive relation of internal audit functions and financial performance of the bank.

**5.4 Contribution to knowledge**

This study has contributed to knowledge by filling the gap in the studies previously carried out by early researchers on the subject – matter. One important area of contribution to knowledge in this study is the use of variables such as liquidity, financial efficiency and solvency, which have bridged the gap in this study.

**5.5 Suggestions for further research**

**This study contributes to the literature in several important ways. Firstly, this study shows a wider scope is advocated between the internal auditor and the management. The study also contributes to the literature that the internal auditor should be transparency in documentation of the organization. This study identify the drivers of effectiveness of internal audit in organizational institutions is recommended.**

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**APPENDIX 2**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| S/N | Research Questions 1: frequency of meeting of internal auditors with audit committee members | No of Respondents / Percentages | | | | Total |
| SA  % | A  (%) | D  (%) | SD  (%) |
| 1 | There is a relationship between frequency of meeting and audit committee |  |  |  |  |  |
| 2 | Internal auditing techniques is Determine by the total number of frequency of meeting which has a negative effect on audit committee. |  |  |  |  |  |
| 3 | Frequency of meeting has a positive effect on organizations financial efficiency. |  |  |  |  |  |
| 4 | There is a relationship between financial efficiency and frequency of meeting |  |  |  |  |  |
| 5 | Frequency of meetings leads to organization growth and better audit committee. |  |  |  |  |  |
|  | | | | | | |
| 6 | Internal audit activities procedures is of relevance to the organization liquidity. |  |  |  |  |  |
| 7 | Organizational growth and internal audit activities is dependent on organization liquidity. |  |  |  |  |  |
| 8 | The organization need the internal audit activities in other to cumulate the organization liquidity. |  |  |  |  |  |
| 9 | The organization need internal audit activities for organization growth. |  |  |  |  |  |
| 10 | The organization cannot on its own perform effectively without internal audit activities. |  |  |  |  |  |
| S/N | Research Questions 1: frequency of meeting of internal auditors with audit committee members | No of Respondents / Percentages | | | | Total |
| 11 | Periodic audit activities has played an important role in enhancing organization solvency. |  |  |  |  |  |
| 12 | Periodic audit report are use in fraud detection. |  |  |  |  |  |
| 13 | To what extent do internal controls affect periodic audit report of First Bank Nig. Plc? |  |  |  |  |  |
| 14 | The internal auditors has express a true and fair judgement on the periodic audit report. |  |  |  |  |  |
| 15 | Internal auditing techniques are needed in all periodic audit report. |  |  |  |  |  |
|  |  |  |  |  |  |  |

**APPENDIX 3**

Conversion of data from the four Point Likert scale (primary source)

Question 1

|  |  |  |  |
| --- | --- | --- | --- |
| **Sentiment level** | **Numerical value** | **Response** | **Total** |
| Strongly Disagree | 1 | 0(0) | 0 |
| Disagree | 2 | 7(0.125) | 14 |
| Agree | 3 | 29(0.5179) | 87 |
| Strongly agree | 4 | 20(0.3571) | 80 |

0+14+87+80 = 181/56 = 3.23

Question 1 = 3 (0.52)

Question 2

|  |  |  |  |
| --- | --- | --- | --- |
| **Sentiment level** | **Numerical value** | **Response** | **Total** |
| Strongly Disagree | 1 | 23(0.41) | 23 |
| Disagree | 2 | 29(0.52) | 58 |
| Agree | 3 | 4(0.71) | 12 |
| Strongly agree | 4 | 0(0) | 0 |

23+58+12+0 = 93/56 = 1.6

Question 2 = 1 (0.41)

Question 3

|  |  |  |  |
| --- | --- | --- | --- |
| **Sentiment level** | **Numerical value** | **Response** | **Total** |
| Strongly Disagree | 1 | 6(0.12) | 6 |
| Disagree | 2 | 4(0.70) | 8 |
| Agree | 3 | 28(0.50) | 84 |
| Strongly agree | 4 | 18(0.32) | 72 |

6+8+84+72 = 170/56 = 3.0

Question 3 = 3 (0.50)

Question 4

|  |  |  |  |
| --- | --- | --- | --- |
| **Sentiment level** | **Numerical value** | **Response** | **Total** |
| Strongly Disagree | 1 | 4(0.70) | 4 |
| Disagree | 2 | 3(0.56) | 12 |
| Agree | 3 | 19(0.34) | 57 |
| Strongly agree | 4 | 30(0.32) | 120 |

4+12+57+120 = 193/56 = 3.4

Question 4 = 3 (0.34)

Question 5

|  |  |  |  |
| --- | --- | --- | --- |
| **Sentiment level** | **Numerical value** | **Response** | **Total** |
| Strongly Disagree | 1 | 18(0.32) | 18 |
| Disagree | 2 | 17(0.30) | 34 |
| Agree | 3 | 12(0.21) | 36 |
| Strongly agree | 4 | 9(0.16) | 36 |

18+34+36+36 = 124/56 = 2.2

Question 5 = 2 (0.30)

Summary of research question one and hypothesis ne therefore is:

0.54+0.41+0.50+0.34+0.30 = 2.07/5

= 0.41

Q2: Conversion of data from the four point likert scale (primary data)

Question 6

|  |  |  |  |
| --- | --- | --- | --- |
| **Sentiment level** | **Numerical value** | **Response** | **Total** |
| Strongly Disagree | 1 | 20 (0.357) | 20 |
| Disagree | 2 | 16 (0.286) | 32 |
| Agree | 3 | 14 (0.25) | 42 |
| Strongly agree | 4 | 6 (0.107) | 24 |

20+32+42+24 = 118/56 = 2.11

Question 6 = 2 (0.29)

Question 7

|  |  |  |  |
| --- | --- | --- | --- |
| **Sentiment level** | **Numerical value** | **Response** | **Total** |
| Strongly Disagree | 1 | 8 (0.1423) | 8 |
| Disagree | 2 | 37 (0.661) | 74 |
| Agree | 3 | 9 (0.161) | 27 |
| Strongly agree | 4 | 2 (0.0357) | 8 |

8+74+27+8 = 117/56 = 2.09

Question 7 = 2 (0.66)

Question 8

|  |  |  |  |
| --- | --- | --- | --- |
| **Sentiment level** | **Numerical value** | **Response** | **Total** |
| Strongly Disagree | 1 | 10 (0.178) | 10 |
| Disagree | 2 | 37 (0.661) | 74 |
| Agree | 3 | 9 (0.161) | 27 |
| Strongly agree | 4 | 0 (0) | 0 |

10+74+27+0 = 111/56 = 1.98

Question 8 = 1 (0.18)

Question 9

|  |  |  |  |
| --- | --- | --- | --- |
| **Sentiment level** | **Numerical value** | **Response** | **Total** |
| Strongly Disagree | 1 | 17 (0.3036) | 17 |
| Disagree | 2 | 19 (0.3392) | 38 |
| Agree | 3 | 10 (0.1786) | 30 |
| Strongly agree | 4 | 10 (0.1786) | 40 |

17+38+30+40 = 125/56 = 2.23

Question 9 = 2 (0.34)

Question 10

|  |  |  |  |
| --- | --- | --- | --- |
| **Sentiment level** | **Numerical value** | **Response** | **Total** |
| Strongly Disagree | 1 | 3 (0.0536) | 3 |
| Disagree | 2 | 4 (0.0714) | 8 |
| Agree | 3 | 24 (0.4286) | 72 |
| Strongly agree | 4 | 25 (0.446) | 100 |

3+8+72+100 = 183/56 = 3.27

Question 10 = 3 (0.43)

Summary : 0.29 + 0.66+0.18+0.34+0.43 = 1.9/5

= 0.38

Question 11

|  |  |  |  |
| --- | --- | --- | --- |
| **Sentiment level** | **Numerical value** | **Response** | **Total** |
| Strongly Disagree | 1 | 0 (0) | 0 |
| Disagree | 2 | 4 (0.0711) | 8 |
| Agree | 3 | 23 (0.411) | 69 |
| Strongly agree | 4 | 19 (0.5179) | 116 |

0+8+69+116 = 193/56 = 3.45

Question 11 = 3 (0.41)

Question 12

|  |  |  |  |
| --- | --- | --- | --- |
| **Sentiment level** | **Numerical value** | **Response** | **Total** |
| Strongly Disagree | 1 | 10 (0.1787) | 10 |
| Disagree | 2 | 2 (0.0357) | 4 |
| Agree | 3 | 28 (0.5) | 84 |
| Strongly agree | 4 | 29 (0.5179) | 64 |

10+4+84+64 = 162/ 56 = 2.89

Question 12 = 2 (0.04)

Question 13

|  |  |  |  |
| --- | --- | --- | --- |
| **Sentiment level** | **Numerical value** | **Response** | **Total** |
| Strongly Disagree | 1 | 10 (0.1787) | 10 |
| Disagree | 2 | 6 (0.1071) | 12 |
| Agree | 3 | 20 (0.3571) | 60 |
| Strongly agree | 4 | 20 (0.3571) | 80 |

10+12+60+80 = 162/56 = 2.89

Question 13 = 2 (0.11)

Question 14

|  |  |  |  |
| --- | --- | --- | --- |
| **Sentiment level** | **Numerical value** | **Response** | **Total** |
| Strongly Disagree | 1 | 6 (0.1072) | 6 |
| Disagree | 2 | 2 (0.0357) | 4 |
| Agree | 3 | 20 (0.3571) | 60 |
| Strongly agree | 4 | 28 (0.5) | 112 |

6+4+60+112 = 182/56 = 3.25

Question 14 = 3 (0.36)

Question 15

|  |  |  |  |
| --- | --- | --- | --- |
| **Sentiment level** | **Numerical value** | **Response** | **Total** |
| Strongly Disagree | 1 | 3 (0.053) | 3 |
| Disagree | 2 | 5 (0.089) | 10 |
| Agree | 3 | 17 (0.304) | 51 |
| Strongly agree | 4 | 31 (0.554) | 124 |

3+10+51+124 = 188/56 = 3.36

Question 15 = 3 (0.30)

Summary of research three:

0.41+0.04+0.11+0.036+0.30 = 1.22/5

= 0.244

**INTERNAL AUDIT EFFECTIVENESS AND ORGANIZATION’S FINANCIAL OUTPUT**

**(A CASE STUDY OF FIRST BANK NIGERIA PLC)**

**A RESEARCH PROJECT**

**BY**

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