PDF - IMPACT OF AUDITING CONTROL ON FINANCIAL MANAGEMENT IN A MANUFACTURING COMPANY - researchcub.info

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The real reason behind financial responsibility and accountability for organizations to assign their trust of management of resources or institutions to one another, person or group of individuals to manage has been in existence for a long period of years. The suppliers of financial or business resources are usually not the same with those managing the institutions or businesses both in public and private establishments. The management of the organisations or businesses are tasked by the owners to report on financial performance of the organisations or institutions. Conversely, it is very cumbersome to monitor managers' actions and information asymmetry between the managers and owners of institutions which results into the ''agency problem'' relating to the stewardship of institutions (Iain and Stuart, 2000). Agency theory, which is derived from financial economics literature, is part of the positivist group of theories (Adams, 1994). It maintains that a firm is made up of a nexus of agreement between the providers of resources (principals) and managers (agents) who are responsible for utilising for an economic, efficient and effective use of resources under their care. Again, it is of the view that managers posses more and detailed information than owners and that they would employ effective and efficient means to increase their capital or resources (Adams, 1994).

The public sector embodies an owner-manager (principal-agent relationship). The officer in charge of audit must occassionally report to the management for their performance regarding to the management of resources and the level to which the goals of the management have been attained. The managements do not believe in the performance reports provided by the management of public establishment and as a result demand for independent report. The principals are required to ensure that third party authenticates the integrity of financial reporting, compliance and financial performance reports. The stakeholders heavily rely on the auditor who is independent to provide an objective report on the true and fair view of the financial management reports by public officers and also to comment on whether the resources entrusted in their care have been efficiently utilized in accordance with the stakeholders' interest. In conclusion, the functions of audit portray as an important monitory strategy of public financial management and increasingly as an activity for the improvement of public institution financial management.

Auditing today encompasses a wide range of activities, which have different set of objectives. Traditionally, it has been a control mechanism to provide assurance that the government officials or its ministries (internal audit) and the established legislature (external audit), that public funds are received and used in accordance with the required appropriate and established relevant laws and regulations (compliance audit) and that the government financial performance reports are true and fair and they are prepared from the underlying financial records and represents its financial position (financial audit). According to Diamond (2002), "The audit function has involved in many countries to take a more comprehensive view of the economic and social implication of government operations often termed as "value for money" or performance audit".

Auditing practice is a foundation for effective financial management and it is important to ensure effective and efficient operations as well as the appropriate application of controls. It determines compliance with spelt out financial regulations and directives and also measures, the utilization of adopted internal controls;

examines the value and importance with which resources are utilized; examines the dependency and credibility of records maintenance and reporting; examines abnormalities; guarantees that resources are brought together and reported and authenticates inventory records and their identity with physical inventory (INTOSAL, 2001). The auditing practice is value added if it achieves its objectives by improving the organization regarding to governance, risk management and internal controls. The work of internal auditor is not complete until irregularities are rectified and remain rectified (Sawyer, 1995). Van Gansberghe (2005) posited that the effectiveness of auditing in the organizations should be measured on the basis of their contribution to the effectiveness and efficiency of device delivery, which in turn propels for improved internal audit service.

Chepkorir (2010) noted that auditing assists organizations to accomplish their objectives by putting in place an orderly, controlled approach to review and enhance the effectiveness of risk management, control and governance processes. The auditing activity investigates exposure of risk with regards to the organization's governance, operations and information systems. The auditors are required to give recommendations for better financial management in those areas where opportunities or weaknesses are identified.

Conversely, the 2008-2009 global economic crises (Credit crunch) has weakened the above all, lessened the credibility of the internal audit units in advancing good corporate governance. Many organizations in all countries are associated with misappropriation of funds and corruption resulting from feeble internal control system (Van Gansberghe, 2005). It is on the basis of this that this study sets to investigate the impact of auditing control on financial management in a manufacturing company in Nigeria.

1.2 Statement of the Problem

Efficiency in internal controls will bring about confidence in organization's ability to perform tasks and cut all its excesses and losses through proper monitoring and enhancing organizational and financial management processes as well as ensuring compliance with important laws and regulations (Kirsty 2008). Muio (2012) in his study on the impact of internal control on the financial performance of private hospitals in Kenya revealed that there is significant relationship between internal control system and financial performance.

In Nigeria today, a number of important trends have recently emerged within the manufacturing sector. It is important to categorically state that manufacturing sector is a major contributor to the economic growth of the country. According to the Economic Survey 2015, Nigeria's National Bureau of Statistics revealed that manufacturing sector contribution to Gross Domestic Product of the country. Several studies have been carried out on auditing and financial management as well as on the profitability of diverse firms. For example; globally studies by Abu-Musa (2004); Chunlan (2009); Wittayapoom (2011); and regionally Kakucha (2009) and Nyakundi & Nyamita (2014) have established there exist a relationship between effective internal control and financial performance of the firm. However, majority of these studies have concentrated on different industries, while others have concentrated on a mix of listed firms in their localities. Ndifon and Patrick, (2014) study on the impact of internal controls activities on financial performance of tertiary institutions in Nigeria, Ironkwe Uwaoma (2015) researched on the impact of internal control on the financial management; a case of production companies in Nigeria. The findings were that though various internal controls systems do exist in the organizations more weight had been given to operational controls compared to other types of controls. There has been no research done on effects of auditing on financial management of manufacturing companies in Nigeria. Certainly, that is what this study seeks to investigate b using the Nigerian Brewery Company, Ibadan as a case study.

1.3 Research Objectives

The main objective of the study was to establish the impact of auditing control on financial management in a manufacturing company in Nigeria. The specific objectives included;

(i) To determine the effects of control activities on financial management of manufacturing companies in Nigeria

(ii) To establish the measures of financial management in manufacturing companies in Nigeria

(iii) To find out the techniques of financial management in manufacturing companies in Nigeria

(iv) To establish the determinants of auditing and financial management in manufacturing companies in Nigeria

1.4 Research Questions

This study sought to answer the following research questions in view of the specific objectives

i) What are the effects of control activities on financial management of manufacturing companies in Nigeria?

ii) What are the measures of financial management in manufacturing companies in Nigeria?

iii) What are the techniques of financial management in manufacturing companies in Nigeria?

iv) What are the determinants of auditing and financial management in manufacturing companies in Nigeria?

1.5 Research Hypotheses

The followings are the research hypotheses that were tested for this study:

i) There is a significant relationship between control activities and financial management of organizations

ii) There is no significant between measures of financial management and organizational performance

iii) There is significant correlation between auditing and financial management

1.6 Significance of the Study

The findings of the current study may help identify gaps within the systems of financial controls in manufacturing organizations. Consequently, the research findings may be important in addressing these gaps. The findings may also be of invaluable benefits to the management and those charged with governance since they are bound to enable them streamline the systems of financial controls. Ultimately, the findings are likely to ensure improved financial management and also attainment of the organizations' objectives. The study may also add to the existing knowledge regarding auditing and financial management particularly in the manufacturing sector. The study may generate knowledge to link auditing and financial management which may guide policy makers in the planning for the public resources. The findings of the study may be helpful to all academicians in finance and accounting, management, legal, and other pertinent fields.

1.7 Scope of the Study

The conceptual scope of this study lies on the impact of auditing control on financial management in a manufacturing company in Nigeria. The specific context of interest was the Nigerian Brewery, Ibadan. The management staffs of the organization in the department of finance were involved since they have knowledge and would provide information on finance reports in relation to auditing control system of manufacturing sector in Nigeria. It is believed that this would provide adequate information for the study and therefore give reliable results and findings.

1.8 Limitations of the Study

The respondents approached were reluctant in giving information fearing that the information sought would be used to intimidate them or print a negative image about them or their enterprises. Some even turned down the request to fill questionnaires. The study had an introduction letter from the institution and assured them that the information they gave was to be treated confidentially and it was to be used purely for academic purposes.

The researcher also encountered problems in eliciting information from the respondents as the information required was subjected to areas of feelings, emotions, attitudes and perceptions, which could not be accurately quantified and/or verified objectively. The researcher encouraged the respondents to participate without holding back the information they had since the research instruments would not bear their names.

IMPACT OF AUDITING CONTROL ON FINANCIAL MANAGEMENT IN A MANUFACTURING COMPANY

The complete project material is available and ready for download. All what you need to do is to order for the complete material. The price for the material is NGN 3,000.00.
Make payment via bank transfer to Bank: Guaranteed Trust Bank, Account name: Emi-Aware technology, Account Number: 0424875728

Bank: Zenith Bank, Account name: Emi-Aware technology, Account Number: 1222004869

or visit the website and pay online. For more info: Visit https://researchcub.info/payment-instruct.html
After payment send your depositor's name, amount paid, project topic, email address or your phone number (in which instructions will sent to you to download the material) to +234 70 6329 8784 via text message/ whatsapp or Email address: info@allprojectmaterials.com.
Once payment is confirmed, the material will be sent to you immediately.
It takes 5min to 30min to confirm and send the material to you.
For more project topics and materials visit: https://researchcub.info/ or For enquries: info@allprojectmaterials.com or call/whatsapp: +234 70 6329 8784
Regards!!!