

BACKGROUND TO THE STUDY

1.1 Introduction

Internal audit had been defined “as an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization”. Internal auditing is a process generally adopted toward ensuring and safeguarding of resources and promoting operational efficiency in organizations. The responsibilities for effective internal auditing normally rest on with the internal auditors who in turn rely a great deal on the soundness and effectiveness of internal control system.

The business world is developing so in the complex nature of the organizations and hence the management has led to the much broader role at internal audit. The role of internal audit is fast moving from mere checking of documents and physical duties to analyzing the ability of organization to react to changing circumstances.

Auditing for the public sector like local government councils aimed at preventing of mistakes, shortcomings and misdeeds in the public administration the internal audit has become a good control measure that can fortell all the incidence of fraud and misappropriation of fund in government ministries if properly put in place.

In Nigeria, research has showed that Nigeria local government councils have internal audit department with internal audit staff that carried out internal audit activities (Adeyemi, Akindele, & Agesin, 2012, Coker & Adam’s 2012; Ebimobowei & Kereotu: 2011; Jansson, 2003; Kuta 2008; Kwanbo, 2009; Ojo 2009; Unegbu & Kida 2011).

This establishment is consistent with the provision made by department of local government under internal audit guidelines; which strongly recommends that all local government councils should have internal audit function for the following reasons;

To support good internal governance.

To ensure consistency with the levels of government.

To improve effectiveness of risk management, control and governance processes.

Help to instill public confidence in an organization's ability to operate effectively and efficiently (IAG, 2008).

In addition Al-Twaihry et al (2003) also note that there must be confusion in organizations that do not have internal audit departments with respective role of internal audit within organization operation. Because having such department could add value to organization in various ways which include; helping the organization to attain its objectives, strengthen internal controls, improve risk management and enhance overall cooperate governance (Jerome, 2009; Pforsich & Kramer 2008). Therefore the objective of this research is to assess the impact of internal audit functions on the local government activities.

Internal Audit

Internal audit has been described as an independent review of operation and records. Lindbergh and Cohn (1972) stated that "internal auditing or audit is an independent appraisal activity within an organization for the review of accounting, financial and other operations as a basis for productive service to management" Internal Auditing or Audit is a part of internal control, which is a device by management or administrators to safeguard or protect assets and liabilities against waste, fraud, stealing, damages or destruction and inefficiency (Akpakpan 2002). Internal Audit is a type of control installed in an organization to measure and evaluate the effectiveness and performance of other type of control.

Functions of Internal Audit:

- (1) Internal Audit monitors the economical and efficiency in the use of resources. It appraises the economy.
- (2) Safeguarding of Asset: It reviews the means of safeguarding asset and also verify the existence of such asset.
- (3) Internal Audit ensures reliability and integrity of information. They review the reliability and integrity of information and the means used to identify measure, classify and report such information.

(4) Compliance with policies, plans, procedures, laws of the system to ensure compliance with the policies, plan, procedures, laws and regulation which could have a significant impact on operation and reports. They determine whether the organization is in compliance with the policies.

(5) It reviews where necessary, makes recommendation for the improvement of system of control and producers to ensure that they are both efficient and effective in the light of changing circumstance and practices.

Reporting System

Internal Audit terminates when a result is submitted to the chief executives in the government ministries. Reporting is a fundamental element of auditing. There is a basic requirement to report the result of every audit assigned to auditor general and accountant general to certify to what degree he is satisfied with the safeguard of government resources against fraud, control of receipt and payment and accuracy of accounting records. The audit report must be clear, concise constructive and timely. It is the responsibility of Internal Auditor to report his findings exactly as observed.

(Amunu partners 1989) under the civil service reform of 1988, the Internal Auditor of each ministry is directly responsible to the chief executive. He is expected to ensure continuous audit of the accounts and record of revenue, expenditure , plans, allocated and unallocated store. He is expected to submit to his chief accounting office and the auditor general, an audit program and there after report periodically on the time progress of the audit, issue special audit report in writing and his opinion for attention on any irregularities, from earlier Internal Audit report or recommendation.

1.2 Statement of the Problem

Notwithstanding the government concerted effort to enforce or encourage accountability in the public sector through internal control system in place, fraudulent practices such as waste, extravagance, fund embezzlement, irregularities and even breach of other control, still rear its ugly heads in diverse ways in the management of public affairs in the council. Some people now refer to it as a habit that has become

imbibed by all in the society especially civil servants. The observance of a close and critical examination of internal audit system in Ini Local Government Council reveals the nature of fraudulent malpractice as a result of lack of adequate internal control system and due to incapability on the part of accounting and auditing staff embezzlement and miss-appropriation of fund is too rampant in our society. This canker worm called corruption has eaten so deep into the financial system of the local government areas and it is expected to continue unless concrete efforts are put in place to arrest the incidence of these malpractices. Thus, this research is conducted to assess the functioning of internal audit unit of Ini Local Government Council.

1.3 Objective of the Study

The purpose of this study are as follows:

- To find out the purpose of installing Internal Audit Unit in Ini Local Government Council.
- To access the real function of the Internal Audit Unit in fraud control and prevention.
- To find out the problem encountered by Internal Audit Unit of Ini Local Government Council.
- To suggest better way of improving the functions of internal auditors.

1.4 Research Questions

This study is therefore based on the following research question:

- What are the real purpose of installing internal audit unit in Ini Local Government Council?
- What are the real function of internal auditor in fraud control and prevention?
- What are the problems encountered by internal audit unit of Ini Local Government Council?
- What are the better ways of improving the functions of internal auditors?

1.5 Significance of the Study

The successful investigation of this study would be of great significance to the staff of

Ini Local Government Council and public service in general because the right information flow is the key to manpower development. It would enable the internal auditors to discover their weaknesses and possible means of overcoming them. The study would equally be of great value to internal auditors in other government parastatals be it state or federal to discovered their weakness and means of overcoming them.

The study would also motivate or stir up further research on the subject matter.

1.6 Scope of the Study

This research work is an assessment of the impact of Internal Audit Function in Ini Local Government Council. The reason behind the selection of Ini Local Government Council is the availability of satisfactory information. The study will make use of the latest available guidelines and procedures applicable to the Nigerian Local Governments.

1.7 Limitation of the Study

The major limitation of the study was first unwillingness of the respondent to answer questions due to sensitivity of the topic which was more investigative. However, this study also went through series of shortcomings, due to financial constraints, the researcher had difficulties in paying transport on a routine basis to gather information for research work. Furthermore, the combination of other academic activities with this reach has also posted posed a problem to the researcher considering the fact that there was a stipulated time frame allowed for the completion of this academic work.

1.8 Definition of Terms

In every study there are some terms that are frequently used:

Auditing: Audit or auditing is a formal or official examination and verification of account (Webster's and New Collegiate Dictionary).

Internal Auditing: International Auditing is a part of internal control which is a device by management or administrators to safeguard or protect assets and liabilities against wastes, fraud, staling, damage or destruction and inefficiency (Akpankpan 2002).

Fraud: Fraud is a deliberate deception to secure unfair or unlawful gain, or to deprive a victim of legal right (Wikipedia).

Internal Control: As defined in accounting and auditing is a process for assuring achievement of an organization's objective in operational effectiveness and efficiency, reliable financial reporting and compliance with Laws, regulations and policies (Wikipedia).

Internal Check: It is a division of duties that does not permit one individual to carry out all stages of transaction. An internal check is intended to prevent fraud and minimize error (Business Dictionary).

ASSESSING THE IMPACT OF INTERNAL AUDIT FUNCTION ON INI LOCAL GOVERNMENT COUNCIL PROJECT TOPIC

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