

PDF - THE ROLE OF AN INTERNAL AUDIT DEPARTMENT IN AN ORGANIZATION A CASE STUDY OF BOARD OF INTERNAL REVENUE, OZORO, DELTA STATE - researchcub.info

ABSTRACT

The basic aim of this research work was to investigate and ascertain the role of internal audit department and then ensure attainment of set objectives, the topic reveals that certain weaknesses in the effectiveness of internal auditing in the public sector is the reason for fraudulent practices in the board. Both primary and secondary data were used for this study; the secondary data were through consultation of textbooks, manuals and information gathered from past audited accounts. The statistical tools used in analyzing the data so gathered was through the simple arrangement method. The study submits the following recommendation: the auditors should always discuss his findings with the operations whose activities are revealed so that they will know their errors and make necessary corrections in the future. The internal auditors should report to the board so that he will have sufficient authority to promote independence, policy guidelines and government circulars should be appropriately communicated to the internal audit.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The term audit is derived from the words audited, which means to hear. The origin of audit can be traced to the ancient days in Britain where landowners allowed tenants – farmers to farm on their lands.

The landowners did not involve themselves in the cultivation of the land or in the supervision of these tenants' farmers rather the cultivation of the land was done by the overseers appointed by the land owners. According to Agbawe (2005) defines audit as an examination and inquiry into a statement of accounts, the underlying records, documents, assets and liabilities by an independent person with a view to express an opinion as to accuracy and correctness of the financial statement.

The definition as can observe is restricted to the examination of an expression of an opinion on the financial statement of an organization by an independent person.

The above definition does not include internal audit which involves the examination of the financial statement which can be traced back to the period of the industrial revolution in Europe with the expansion of business, ownership is separated from control. Accordingly, boards of directors are charged with the responsibilities to manage the business or an organization on behalf of the shareholders who in turn appoint the external auditors agreed by the directors as give opinion about the financial reports where they show a true and fair view.

The American accounting association's commitment on basic auditing concept (1971) defined auditing as a systematic process of objectively and evaluating evidence regarding assertions about economic actions and in order to ascertain the degree of correspondence between the results to the interested users. This definition is broad and general because it encompasses both the internal and external auditors. External auditing involves the appointment of the external auditors by the board of directors while the internal auditing involves employment of internal auditors and creation of an audit department in the organization. The internal audit department should relate very well with other functional units in the organization.

Osita, (1998) defined internal audit as the independent appraisal of the function and quality of performance of an organization by a specially assigned staff as part of the internal control system. This definition emphasizes more on the function and the quality of the performance required in the internal audit department.

Section 33a subsection one (1) of income tax management act(ITMA) as amended in (1993) states as follows: there shall be a board to be known as the state board of internal revenue (here) after in this act referred to as the state board, whose operations shall be known and call state internal revenue service's (here-in-after in this act referred to as the state services). The authority of the state, in the federation to administer income tax management act (ITMA) and the body vested with this authority in each state is the board of internal revenue. The internal audit department can effectively achieve the above responsibilities when there is an efficient internal control system.

This study will be focused on the various problems faced by the internal audit department in the board of internal revenue of Delta State and also highlight the roles played by the internal audit department. Most of their roles are delegated by the members of the board of directors appointed by the government who in turn appoint the internal auditors. The project will focus its attention on the legal framework of governmental accounting procedures starting from the Nigeria constitution audit act of 1956 and also the 1999 constitution of federal republic of Nigeria.

Basically, this project will be laying more emphasis on the board of internal audit department of the board of internal revenue Ozoro.

1.2 Statement of Research Problem

The system for control as alleged have not been found to be compatible, the lack of understanding of the objectives by the internal auditors have led to unnecessary confusion. Other possible problems involved are improper segregation and assignment of duties to accounting staff.

Lack of assignment and duties to accounting staff, lack of knowledge about proper auditing procedures. The internal auditing techniques and therefore duplication of work of accounting and external auditors.

The duty of the work of internal audit development is so wide of internal audit department is so wide and their operations is so shallow that no effect have been seen in the effort of accountants of the board of internal revenue. Misappropriation of funds, functions names of the payment list, under assessment foregoing of each receipt and imposing of tax arbitrary are some perceived problems.

These issues have been a great concern of the board and government because of the heavy losses sustained as a result of these practices. There is dire need to go into research to find out what need to be done to make internal audit to be more than over effective.

Therefore, the research project will seek to provide ready answer to the under listed burning question;

What form of accounting system and internal control system should be adopted by the auditors?

What are the audit techniques and procedures employed by the internal auditors while carrying out their duties?

What are the qualifications of auditors?

Are the accounting system and internal control measures sufficient and adequate?

1.3 Research Hypothesis

The following hypothesis has been drawn to aid the work system designed to provide selected quantitative data out an entity engage in economic activity.

Auditor: An auditor is an independent person who has the sufficient professional qualification to express and opinion as to the true and fairness of financial statement.

Internal control: Internal controls is the whole system by control financial or otherwise established by management to save the organization as soon as possible in the accuracy and reliability of the records, run

the business in an orderly manner and safeguard the company's assets.

Internal auditing: Internal audit is an independent review and appraisal of the organization as a basis of protective and contract services to management. Internal audit is carried out by a staff of the organization charged with the responsibility to do so. Internal audit and internal check are part of internal control.

Independent audit: Independent audit is an audit.

Ho: There is no significant influence or roles of internal audit in the board of internal revenue.

Hi: There is a significant influence on the role of internal audit in the board of internal revenue.

1.4 The Purpose of the Study

The purpose of the study is to find out the following;

To assess the function of internal audit department in the board of the internal revenue unit.

To know whether internal auditing practices and techniques are effectively employed by the board.

To find out the benefit of internal auditing to the management of the revenue board.

To find out the relationship between internal and external auditors.

To recommend ways which will help the board of internal revenue to improve on their internal audit practices?

1.5 Significance of the Study

This study is important in a number of ways so as to enable the board know how effective the internal audit department has been functioning for control purpose.

The research provides useful insight into internal audit practices in the board of internal revenue and provides useful information for effective management in both organizations to give should implementation of audit functions.

To make recommendation that would help the management of the board of internal revenue to make necessary measures and make their internal more efficient by achieving the required objectives one of which is the provision of necessary and heeded information to the board of internal revenue for effective control. To provide references materials for those that might wish to conduct entries in the subject matter. To the researcher the study would widen their knowledge on the subject matter. Recommendation would be a ready tool for policy making by government.

1.6 Scope of the Study

This work has been purposely limited to the board of internal revenue, Ozoro. The essence being to enable the researcher have enough time to carry out an in depth study on the subject matter.

Apart from this, it was further limited to the internal unit of the board especially as it affects the activities of management control.

1.7 Limitation of the Study

The study was designed to discuss the role of the internal audit department in the board of the internal revenue, Ozoro to ensure the reliability and accuracy in data collection.

As part of the limitation to the study, the prominent and outstanding limitation to the study is one's ability to lay hands on textbooks. Also connected to the limitation of the study is the issue of finance. So much is needed to gather materials, analyze and type combined the project. Also, limited time usually meant for research study like this is another constraint against the study, despite the catalogue of the above constraints; we are convinced that the data available for his research would be sufficient to achieve the stated objectives.

1.8 Definition of Terms

The researcher has made it necessary to define operational terms in this project work to make it easier for the entire of the auditors to satisfy accounting standards.

Accounting: The internal encyclopedia of social science page 14 put it more precisely that accounting is the measurement, methodology and communication, performed by public accountant in order to express an opinion on the financial statement.

Auditing: This is the systematic process of objectives obtaining and evaluating evidence regarding assertion about economic action and events to assertion and established criteria and communicating the result to the interested users.

Board of Internal Revenue: This is the body/board appointed by the government under decree 33 (1) 1993 for the purpose of assessment and collection of revenue for the government.

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