



Internal Auditing and Organisational Performance in Nigeria

Adu^{1*}, Cecilia Adurayemi², Ajigbotoso³, Moses Ade⁴

Crawford University

Corresponding Author: Adu prepet99@yahoo.com

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ABSTRACT

Numerous factors are known to impact internal auditing's impact on an organization's performance. Among the challenges that have been discovered include a lack of understanding of the tasks of internal audit, fear of losing one's job, and concerns regarding standards compliance and working conditions. The impact of internal auditing on organizational performance was investigated in this study. The purpose of this study was to ascertain the effects of internal control systems on worker productivity in manufacturing companies, as well as the relationship between internal audit independence and quality and worker productivity in manufacturing companies. Since a survey research strategy is the most suitable for determining the correlation between the variables in the objectives, this study used it. It was important to find out how employees felt about internal audit. The Statistical Package of Social Sciences, or SPSS, was used to evaluate the data that was gathered via copies of the questionnaire. The result of hypothesis one showed that internal audit independence did not have significant influence on manufacturing companies and the result of hypothesis two showed that internal audit quality did not have significant influence on manufacturing companies. This research work covered manufacturing companies in Ogun State. Hundred copies of questionnaire were also distributed to manufacturing companies in this region. It was therefore suggested that researchers who would want to carry out a similar work should extend their research work to other parts of Nigeria. It was also concluded that internal auditing has an effect on organizational performance

INTRODUCTION

Background to the Study

Since internal auditing is the department that examines all firms associated with the industry, it is regarded as the foundation of business accounting. Internal audit is today expected to be highly competent and professional by organizations, and in order to reduce and manage risks, limited resources must be used more effectively. The advancement of technology allows for the tracking and analysis of data at an ever-increasing speed, thus it is imperative that organizations receive proper advice from the internal audit department (Adu, 2024).

Effective internal control systems, a process for guaranteeing an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations, and policies, support a company's financial and corporate strategy. Internal audit also plays a major role in enhancing the credibility of an organization. of users of internal control. Desmond (2018) examined the impact of internal auditing procedures on financial management.

People all throughout the world are realizing how much internal auditing can do to support management in carrying out their responsibilities. This potential has been transformed into a challenge and is represented in the institute's updated definition of internal auditing.

of Internal Auditors (IIA). Internal auditing is "an independent, material, and consulting activity, which adds value and improves the functioning of an organization," according to the June 1999 Board of Directors of the Institute of Internal Auditors. Itiola (2016)

By assessing how well risk management, control, and governance are working to achieve the organization's predetermined goals, internal auditing provides an unbiased, impartial assessment service. The quality of the audit serves as a gauge for internal auditing. Key performance metrics for gauging internal auditing effectiveness are described here. Helping chief audit executives and internal auditors integrate quality into all aspects of internal audit, from daily work to operational and strategic planning, is the aim of internal audit quality. Furthermore, the line of directors and The results of the internal audit are advantageous to management in the audited sectors. Through a methodical and rigorous assessment of the operations, policies, and processes put in place by management to guarantee the accomplishment of the organization's goals, as well as through suggestions for improvement, the service applies the professional skills of internal audit (Dumitrescu, 2004).

Internal auditing ascertains the accuracy, veracity, and integrity of financial and operational data originating from various organizational units, which forms the basis for suitable business decisions made by managers at all levels. The independence of an auditor is necessary for efficient internal auditing. Integrity is a defining characteristic of internal audit independence, which calls on the internal auditor to conduct his work independently and impartially.

Problem Description

There are many false beliefs and negative viewpoints regarding internal auditing. These can be caused by a variety of things, including working conditions, fear of losing one's job, standards compliance, and ignorance of internal audit functions. Furthermore, certain impressions are influenced by people who stand to gain financially from the organization's resources. They want to undermine internal audit as much as possible because they believe it will reveal their secrets. The efficacy of the internal audit function is impacted by these negative views.

The majority of Nigerian firms don't think they require an internal auditing department. They consequently do not benefit from the advantages that come with having an internal audit department. This indicates that the internal audit role is largely disregarded by Nigerian businesses.

Objective of the Study

The main objective of this study is to determine the effect of internal audit on organizational performance while the specific objectives are to:

- determine how internal audit independence affects the productivity of employees in manufacturing companies
- determine how internal audit quality affects the productivity of employees in manufacturing companies.
- ascertain the effect of internal control system on the productivity of employees in manufacturing companies.

LITERATURE REVIEW

The Concept of Internal Auditing

One particular type of control function over other controls in a company is internal auditing. The overall goal of internal auditing, an integrated part of the accountability process, is to guarantee and encourage the efficient execution of the accountability entrusted to the organization's management. The profession of internal auditing entails assisting organizations in accomplishing their stated goals. It accomplishes this by applying a methodical approach to the analysis of corporate operations, procedures, and activities in order to identify organizational issues and suggest fixes. Planning the audit, gathering and analyzing data, presenting findings, and following up are all part of the audit activity (Moeller, 2005).

The Concept of Organizational Performance

When an organization's actual output or outcomes are compared to its intended outputs, it's referred to as performing according to its goals and objectives. It entails comparing a company's performance to its aims and objectives. Organizational performance is the culmination of the managers' allocated tasks, not the organization itself. The managers carry out their given tasks. Many firms have tried to manage organizational performance in recent years by utilizing the balanced scorecard methodology, which tracks and measures performance in a number of areas, including employee stewardship, financial performance, and customer service.

Employee Productivity

This is a gauge of how much work a worker completes in a given amount of time. It can also be applied to measure a team's or group's output. It is regarded as a gauge of how much work a worker can complete in a specified period of time. The bottom line of a firm is directly impacted by employee productivity, which makes it significant. An organization can generate more profit if its personnel are more productive. It may also directly affect an organization's capacity to hold onto its workforce. Workers that are more productive have a lower turnover and disengagement rate. Because of this, companies that concentrate on raising staff productivity frequently witness increases in retention rates.

METHODOLOGY

Population of the Study

The population of this study is manufacturing companies in Nigeria which is known to be a total number of 177 listed companies.

Sample Size and Sampling Technique

The sample size to be used for this research will be a total of 200 respondents from 4 manufacturing companies in Nigeria.

Research Instrument

The research instrument that was used for this study is a structured survey questionnaire, which was specifically designed to accomplish the objectives of this study.

RESULTS AND DISCUSSION

One hundred (100) copies of questionnaires were distributed but only 50 were retrieved and used for data analysis, giving response rate of 50%. Bio data analysis in section A shows that 34% (17) of the respondents were male while 66% were female. From the findings, the above table shows that 62% (31) of the respondents are 20-30years, 30% (15) are 31-40years, 4% (2) are 41- 50years, 2% (1) are 51-60years while 2% (1) are 61years and above. The table reveals that 68% (34) were single and (16) were married. 50% (20) of the respondents are students 20% (10) are civil servant, 20% (20) traders while 10% (5) are traders giving 50 respondents.

Regarding the study of internal auditing and organizational performance, from the overall mean and percentage scores. It is considered satisfactory which indicates a high relationship between internal auditing and organizational performance.

The result analyzed in SPSS with the pearson correlation method using the hypothesis given shows that there is no significant correlation between the two variables as presented above. Findings from hypothesis one, revealed that there is no significant relationship between internal audit independence and manufacturing companies.

Findings from the hypothesis two reveal that there is no significant relationship between internal audit quality and manufacturing companies.

CONCLUSIONS AND RECOMMENDATIONS

Summary of Findings

It was found out that internal auditing has vital potentials to provide unique and undisputed service to the management during the conduct of their duties. It was also discovered that internal auditing helps business firm, manufacturing companies as a whole to foresee the organizational performance so as to show the work quality and quantity achieved by an employee during the course of discharging his/her duties. From the first hypothesis, it was derived that there is no significant relationship between internal audit independence and manufacturing companies based on the table 4.1. From the hypothesis two, it was derived that there is no significant relationship between internal audit quality and manufacturing companies based on 4.2. Lastly, analysis revealed that internal audit has contributed immensely to organizational performance.

An independent assessment service provided by an organization is internal auditing. It assesses the accuracy, veracity, and integrity of operational and financial data originating from various organizational units, which forms the basis for wise business decisions made by managers at all levels. The impact of internal auditing on organizational performance was determined.

FURTHER STUDY

This research still has limitations so further research is needed related to the effect of capital and E-commerce on production and income of micro, small and medium furniture businesses in order to perfect this research and increase insight for readers.

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