© 2018 Cenresin Publications
Journal of Management and Corporate Governance www.cenresinpub.org Volume 10, Number 1, 2018
ISSN: 2277-0089

THE IMPACT OF INTERNAL AUDITING ON THE PERFORMANCE OF THE NIGERIAN BANKING INDUSTRY: CASE STUDY OF FOUR BANKS

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ABSTRACT

The existence of internal audit function is very important to any organization and to a large extent; this study has been able to establish that a relationship exists between internal auditing and bank performance. In Consistency with previous studies, this study provides a widespread of literatures and ideas on the relationship between internal audit and bank performance. This study is concerned with internal auditing and how it affects the performance of banks and it was executed by selecting four banks as case studies, specifically old generation banks and new generation banks. The outcomes of this study creates cognizance as to how internal auditing affects the performance of banks, thereby bridging the gap between internal auditing activities and internal audit performance-driven activities. The method of data collection was carried out through the administration of questionnaires; a total number of seventy-four (74) questionnaires were retrieved and analyzed using tables and simple percentages. The three hypothesis formulated were also tested using the one way T test. The findings show that internal auditing does influence bank performance. As a result of the extensive study carried out, the researcher and correspondents made a series of recommendations of which they pointed out that only qualified auditors should be appointed to carry out any audit activity so it can be done effectively, the banks in return should provide accurate information for the auditors and before any appointment of an *auditor, the legitimacy of the internal auditors resume should be properly checked*

Keywords: *Internal Audit, Bank Performance, Internal Control*

INTRODUCTION

In the past, auditors have identified problems but might not have taken the extra step to elevate performance and recommend ways to improve the underlying business practices. A number of companies are not realizing their full potential as a result of failure to move from their regular audit function to a value-driving performance improvement audit activity, therefore the colossal gap between performance audit activities into internal audit activities needs to be reconciled. Although, finding auditors with the right skills and capacity to widen the scope of internal audit to address performance might be a bit of a challenge. Internal auditors have a need to stop seeing themselves as mere corporate police officers but as value adding consultants of the management function. Warren, Hannan and Youngberg (2011:3) assert that "Even a quick assessment of performance measures as part of a regularly scheduled compliance, financial, or risk-based audit can yield great benefits to the company for relatively modest effort, while providing an opportunity for the audit team to enhance its knowledge of the business."

Compliance with the demands of highly rated Sarbanes Oxley legislation has succeeded in narrowing their skills and focus on their audit functions. Auditors may discover that their operational business knowledge is out-of-date or lost as a result of the frantic quest to reduce cost ensuing from the economic downturn from several previous years. It is for this reason; this study was focused on Internal Auditing and its impact on the performance of banks to examine how internal audit performance driven activities affect the performance of a company. The outcomes of this study created cognizance as to how internal auditing affects the performance of banks, thereby bridging the gap between internal auditing practices and internal audit performance-driven activities. This study also brought about an integration of internal auditing practices and improvement in organizational performance.

Development of Hypothesis

Research Questions

1. How does internal audit performance driven activities affect the profitability of banks?
2. What is the importance of internal audit function to the liquidity of banks?
3. How important is the internal auditor's qualification to the performance of banks?

Objectives of the Study

The main objective of the study was to examine the Impact of Internal auditing on the performance of the Nigerian banking Institution. The specific objectives of this study are to:

1. Determine the extent to which internal audit performance-driven activities affects banks profitability
2. Ascertain the extent to which the presence of internal audit function affects the liquidity of banks
3. Examine the extent to which internal auditor's qualification affects banks performance

Research Hypothesis

1. Ho: Internal audit performance driven activities do not influence profitability of banks
2. Ho: The availability of internal audit function does not affect the liquidity of banks
3. Ho: The qualification of the internal auditor does not affect the banks performance

Review of Related Literature

Internal Audit

Internal auditing which is often seen as constituting a large and significant aspect of an organization's financial control system is a vehicle to success and survival. Hamdu, Arega and Addisu (2014:82) assert that "Internal auditing is taking on increased importance in many of today's global organizations by assisting management in evaluating controls and operations and thereby providing an important element of global control." According to Bariyima (2012:6) "it is generally recognized that the proper organization, staffing and methodology of internal audit presents the board with the best means of focusing on its obligation to ensure proper controls in the business." Review of internal audit without reviewing internal control system will be grossly inadequate as they both function together. The effectiveness of the internal control systems are to be examined by the internal auditor to ensure the internal control system is adequate to meet the management objectives. According to Ejoh and Ejom (2014:3) "evaluation of internal control stated that it is almost impossible to study auditing or to be able to perform any meaningful audit in practice without having a perfect grasp of the concept of internal control."

A well-equipped and organized internal audit in an organization will bring about vale and transparency and in the long run enabling the manager to achieve its objectives. Internal auditing has greatly influenced companies in achieving their goals, and the implementation of strategies for their achievement (Ljubisavljević & Jovanovi, 2011). The internal audit role also helped buttress the management and audit committee (Hutchinson & Zain, 2009). Similarly, internal audit helps regulate and decide the reliability, reality, and integrity of financial and operational information from the various units in the organization on which decision making at the various levels are based upon. For an internal audit to be successfully implemented, it must firstly be independent in the sense that management should not have a say in which work, information, conclusions, or evaluations is being carried out. This way, internal audit bridges the gap between internal audit and management, and an important guideline for the successful management of the company (Ljubisavljević & Jovanovi, 2011).

Previous studies have devoted time in studying the relationship between internal audit and firm performance. Adequate study of this relationship is yet to be made in both developed and developing countries. Numerous studies have called for further studies to carry out widespread studies as regard the topic of discussion. For instance, Hutchinson and Zain (2009), studied the relationship between internal (audit experience and accounting qualification) audit and firm. Their study gave future recommendations that could be implemented in the near future. Firstly, they were of the opinion that future studies should scrutinize the role of the board and the interaction between internal audit quality and audit committee independence. Secondly, their study inspired future studies to consider alternate models of factors that would possibly impact IAQ and improve corporate governance. It has been found that there is a shortage in researches carried out in both developed and developing nations with respect to the relationship between internal audit functions with that of the performance of the firm. In addition to that, Al-Matari et al. (2012) explored the relationship between board characteristics and firm performance in Kuwait. They suggested that future researchers examine the association between internal audit and firm performance whether directly or through a moderator.

Ljubisavljević and Jovanovi (2011) studied the relationship between the functions of internal audit in Serbian firms. The sample was made up of 200 small and medium organizations during 2011. Through the use of questionnaire surveys they were able to conclude that the effectiveness of the internal audit entity was weak. In line with the study above is Hutchinson and Zain (2009) whose target was to explore the relationship between internal audit quality (audit experience and accounting qualification) and firm performance (ROA) in Malaysia. The statistics and figures were gathered via a mail questionnaire among public listed companies in Malaysia in 2003. The results showed a strong relationship between internal audit quality and firm performance with opportunities of high growth and that this positive ink is decreased by the increasing independence of audit committee. This study tendered the idea of an independent audit committee.

Corporate performance

A firm that performs well is one that successfully achieves its goals and is strategically executes tasks in achieving its goals (Emmanuel, Otley & Merchant, 1990; Otley, I999; Euske, 1984). Performance refers to the ability to operate efficiently, profitability, survive growth and react to the environmental opportunities and threats (Mawanda, 2008). Thus, performance is measured by how efficient an organization is in use of resources in achieving its objectives. It is the measure of attainment achieved by an individual, team, institution or process.

Hitt and Hoskisson (1996) specified accounting based performance utilizing three markers; ''Return on Assets (ROA), Return on Equity (ROE), and Return on Sales (ROS). Every measure was registered by partitioning net salary by aggregate resources, complete normal (conventional) value, and aggregate net deals, separately. Mawanda (2008) likewise recognized different measures of financial performance to incorporate; Reporting: "Referring to the comprehensiveness of internal controls in addressing the achievement of objectives in the areas of financial reporting, operations and compliance with laws and regulations. Further noting that, internal control also includes the program for preparing, verifying and distributing to the various levels of management those current reports and analyses that enable executive management to maintain control over the variety of activities and functions that are performed in an organization (Whittington & Pany, 2001)."

Accountability: Bakibinga (2001) believed that "corporate law requires a divorce between ownership and managements of an entity. Owners normally entrust their resources in the hands of managers. Managers are required to use the resources entrusted to them in the furtherance of the entity's objectives. Managers normally report to the owners on the result of their stewardship for the resources entrusted to them through a medium called financial statement. It is these financial statements that reveal the financial performance of an entity. Accountability can be political, social or financial accountability." According to Hayes, et al (2005) "reporting is one way through which managers make accountability for resources entrusted to them".

Hence the performance of a company can be measured in various ways, measurement varies in respect to aim and objectives of the companies. A company might only want to achieve all its objective at the end of a financial and the management would be happy that the company has performed well that year, while to another company it might be only to maximize profit and it would be satisfied by its performance. All organizations have financial performance measures as part of their performance measures, traditionally; financial performance measures are split into the following categories such as profitability, liquidity/working, gearing, and investor's ratio.

A company's choice of performance measures should be based on factors exclusive to it such as its corporate strategy, value drivers, organizational objectives and the competitive environment. Inclusively, companies should remember that performance measurement choice is a dynamic procedure, some measures may be appropriate today but not be suitable for tomorrow, and therefore the system needs a continuous assessment as strategies and the competitive environments advance. Generally, a company is said to have performed well if at the end of its financial year it was able to achieve its goals and objectives and subsequently was able to maximize profit and satisfy their customers in terms of the quality of its services. Investopedia defined Key performance indicators as "a set of quantifiable measures that a company or industry uses to gauge or compare performance in terms of meeting their strategic and operational goals. KPIs vary between companies and industries, depending on their priorities or performance criteria."

THEORETICAL FRAMEWORK

AGENCY THEORY

Agency theory and internal audit as proposed by Adams (1994) is one of the hypothetical systems for the most part utilized as a part of the bookkeeping writing to clarify and foresee the arrangement and execution of outer evaluators and money related advisors. He was of the sentiment that agency theory is valuable in the hypothetical structure for concentrating on the capacity of internal auditing. He specified that agency theory depicts and conceive the presence of the internal audit capacity. Agency theory anticipates how the inner review capacity is perhaps going to be influenced by authoritative changes. He infers that agency theory gives a premise to rich examination, which can advantage both the scholarly group and inner reviewing calling. It is for this reason that this study adopts the agency theory.

Empirical framework

In the study carried out by Ebrahim, Al-swidi and Faudziah (2014), on the effect of internal audit and firm performance it was evident that there was lack of research in both developed and developing countries with respect to direct association of internal audit functions and company performance. Inclusive of the several studies shared is the research conducted by Al-Matari et al (2012) who investigated the association between the board characteristics and performance of Kuwaiti firms. A call was made for future researchers to examine the relationship between internal audit and firm performance whether directly and indirectly, or in light of a moderating effect. According to Nnena (2012), carried out a research to discover the functions of internal audit departments and how far their functions have contributed to the overall performance of organizations. The result of the investigation showed that the internal audit department perform various functions which inefficiency in relation to workers and the prevention of misappropriation of funds. The researcher was of the view that if the internal audit is well established in financial organizations, it will contribute immeasurably towards overall performance of organizations through curtailing fraud and wasteful use of funds and lastly encouraging workers to provide complete and accurate information.

The study of Obinyelu (2011), was geared towards researching into auditing as an effective tool for improving the performance of a statutory corporation. Based on the analysis carried out, some discoveries and conclusions were made, such as internal audit decreases the likelihoods of fraud and detects error in operations, internal audit helps detects any form of irregularity as well as ensures overall performance of the corporation through the evaluation of the effectiveness or otherwise of the internal control system. Based on the findings, it was recommended that the internal auditors should ensure that discoveries, conclusions and recommendations rising from each internal audit assignment are communicated promptly to the appropriate level of management and also that employees should disclose to the demand of the auditors all the books and all the information needed.

METHODOLOGY

This study used of quantitative research design by applying experimental research design to test researcher hypotheses. Questioners were distributed to the concerned respondents to obtain information from GT bank, Zenith bank, First bank and UBA. This is consistent with Agbonifoh and Yomere (2002) on cross sectional survey research design as a systematic gathering of information about a phenomenon at a particular point in time.

The population of the study

The population of a study refers to the target population qualified for the study. For this study, these consist of all the employees of UBA, GT, Zenith and First banks.

Sample selection

The sample size of the study will be determined using the Taro Yamanne formula as follows:

n = N (1+Ne^2)

Where n = Sample size

N = Population size,

e = the level of significance (the allowable chance for error).

Sampling technique

Stratified random sampling was used to select the desired respondents; staff status formed the basis of stratification (management and senior staff). Randomization was the basis of lottery. Proportional allocation was used to determine the number of respondents from each of the both categories i.e. thereafter the sampling frame was collected from management in each of the banks. Given the sampling frame, the total number of respondents from each stratum was noted. Given that the total number of respondents from each stratum is N_i and the sample size allocated to the ith stratum is ni, Ni identical pieces of paper will be cut and numbered from 1-N_i. Subsequently, ni was selected using the lottery method.

Method of data collection

In this study, the research made use of well-designed questionnaires. Therefore the data that was collected was subjected to manual and electronic processing, with the aid of Statistical packages for Social Sciences (SPSS).

Research instrument

This study employed a questionnaire eliciting the necessary information from the respondents. The questionnaire consist of two major parts, the bio data which consist of items relating to respondents personal data and the second part addressed issues relating to the research problem. The question response-format of the items in part II was in form of five-point Likert scale type with items ranging from a region of strong agreements (SA), through a neutral zone, not sure to a region of strong disagreements (SD).

Sources of data

The study solely relies on primary data. The primary data will consist of information to be elicited from the sampled respondents using questionnaire.

Method of data analysis

Research data was analyzed using descriptive and inferential statistics. Descriptive statistics include frequency tables and percentages. The T test served as the inferential statistic. The choice of T-test was informed by the desire or need to test for the quality of two population means since the responses of the respondents was categorized into (agree and disagree). This is consistent with the major use of the T-test i.e. to test for equality of two population means or for the difference between two population means.

Data presentation, analysis and discussion of results

Data presentation

A total number of 80 questionnaires were distributed. 20 questionnaires to each of the four banks of which a 36 were retrieved from the new generation banks and 38 from the old generation banks making it a total of 74 retrieved questionnaires which were retrieved. With the use of SPSS, the responses were analyzed by calculating the frequencies and percentages which were represented them on simple tables and graphs showing an overview on the impact of internal auditing on the performance of Nigerian banks used during the course of this research work.

Questionnaire

Part A: Old and New generation banks respondent personal data

This section contains personal data or bio data of respondents in this study.

Table 4.1: Age of respondents

Age	Old		New	
	Frequency	Percent	Frequency	Percent
Valid 20-30	21	55.3	17	47.2
31-40	13	34.2	18	50.0
41-50	4	10.5	1	2.8
Total	38	100.0	36	100.0

Source: Field Survey, 2017

Analysis: The table 4.1 under Old generation bank shows the various ages of the respondents of which 21(55.3%) respondents were between the ages of 20-30, 13 (34.2%) respondents were between the ages of 31-40 and 4 (10.5%) respondents between the ages of 41-50. The bar chat above also depicts the analysis discussed. The analysis of the table 4.1 under New generation bank above shows that 17 (47.2 %) respondents are between the ages of 20-30, 18 (50.0 %) respondents are between the ages of 31-40 and 1 respondent is between the ages of 41-50.

Table 4.2: Sex of respondents

Sex	Old		New	
	Frequency	Percent	Frequency	Percent
Valid Male	15	39.5	20	55.6
Female	23	60.5	16	44.4
Total	38	100.0	36	100.0

Source: Field Survey, 2017

Analysis: The analysis of Table 4.2 under Old generation bank shows that of 15 (39.5%) respondents are male while 23 (60.5%) are female. Total 38 (10%) of respondents from the old generation banks. The bar chart also portrays the analysis in percentage. The analysis of the Table 4.2 under New generation bank depicts that 20 (55.6%) respondents are male and 16 (44.4 %) respondents are female in the new generation banks under study.

Table 4.3: Religion of respondents

Religion	**Old**		**New**	
	Frequency	Percent	Frequency	Percent
Valid Christian	32	84.2	34	94.4
Muslim	6	15.8	2	5.6
Total	38	100.0	36	100.0

Source: Field Survey, 2017

Analysis: The analysis of table 4.3 under Old generation bank depicts that 32 (84.2%) respondents are Christians and 6 (15.8%) are Muslims in the old generation banks under study. The analysis of table 4.3 under New generation bank depicts that 34 (94.4%) respondents are Christians and 2 (5.6%) are Muslims in the old generation banks under study.

Table 4.4: Qualification of respondents

Qualification	**Old**		**New**	
	Frequency	Percent	Frequency	Percent
Valid B.Sc.	19	50.0	23	63.9
Master	9	23.7	6	16.7
CIBN	1	2.6	1	2.8
ICAN	3	7.9	2	5.6
Others	6	15.8	4	11.1
Total	38	100.0	36	100.0

Source: Field Survey, 2017

Analysis: Table 4.4 under Old generation bank depicts that 19 (50.0 %) respondents have a B.Sc. qualification, 9 (23.7%) respondents have master's qualification, 1 (2.6%) respondent have CIBN qualification, 3 (7.9 %) respondents have ICAN qualification and 6 (15.8) respondents have other qualifications. The analysis of table 4.3 under New generation bank depicts that 23(63.9 %) respondents have a B.Sc. qualification, 6 (16.7%) respondents have master's qualification, 1 (2.8%) respondent has CIBN qualification, 2 (5.6%) respondents have ICAN qualification and 4 (11.1%) respondents have other qualifications.

Table 4.5: Work experience of respondents

Work experience	Old		New	
	Frequency	Percent	Frequency	Percent
Valid 0-5 years 6-10 years 11-20 years Total	18 17 3 38	47.4 44.7 7.9 100.0	20 12 3 1 36	5.6 33.3 8.3 2.8 100.0

Source: Field Survey, 2017

Analysis: Table 4.5 for old generation banks shows that 18 (47.4%) respondents have 0-5 years working experience, 17 (44.7 %) respondents have 6-10 years working experience and 3 (7.9%) respondents have 11-20 years working experience. Table 4.5 for new generation banks shows that 20 (55.6%) respondents have 0-5 years working experience, 12 (33.3 %) respondents have 6-10 years working experience, 3 (8.3%) respondents have 11-20 years working experience and 1 respondent has between 21 and above working experience.

Table 4.6: Level of respondents

Level	Old		New	
	Frequency	Percent	Frequency	Percent
Valid Manager Senior staff Others Total	1 9 28 38	2.6 23.7 73.7 100.0	1 11 24 36	2.8 30.6 66.7 100.0

Source: Field Survey, 2017

Analysis: The analysis of table 4.7 for old generation deduces that in the old generation banks under study, 1 (2.6 %) respondent is a manager, 9 (23.7%) respondents are senior staffs and 28 (73.7 %) respondents are other staff members. The analysis of table 4.6 for new generation deduces that in the new generation banks under study, 1 (2.8 %) respondent is a manager, 11 (30.6%) respondents are senior staffs and 24 (66.7 %) respondents are other staff members.

Part B: Old and New generation banks responses to question 1-10
Question 1: There is a strong need for effective internal auditing practices in the Nigerian banking institution

Table 4.7:

		OLD		NEW	
Valid		Frequency	Percentage	Frequency	Percentage
	No view	1	2.6	0	0
	Agree	12	31.6	4	10.5
	Strongly agree	25	65.8	32	84.3
	Disagree	0	0	1	2.6
	Strongly disagree	0	0	1	2.6
	Total	38	100.0	38	100.0

Source: Field Survey, 2017

Analysis: For old generation, Table 4.7 shows that out of 38 respondents in the old generation banks, 1 (2.6%) respondent was of no view, 12 (31.6 %) respondents agree and 25 (65.8%) respondents strongly agree that there is a need for effective internal auditing practices in the Nigerian banking Institution. For new generation Table 4.7 shows that out of 36 respondents, 4 (10.5%) respondents agree and 32 (84.3%) respondents strongly agree that there is a need for effective internal auditing practices in the Nigerian banking Institution.

Question 2: Banking regulation authorities enforce Internal Auditing Practices in the Nigerian banking Industry

Table 4:8

		OLD		**NEW**	
		Frequency	Percentage	Frequency	Percentage
Valid	No view	3	7.9	2	5.3
	Agree	22	57.9	15	39.5
	Strongly agree	13	34.2	19	50.0
	Disagree	0	0	1	2.6
	Strongly disagree	0	0	1	2.6
	Total	38	100.0	38	100.0

Source: Field Survey, 2017

Analysis: Table 4.8 for old generation shows that 3 (7.9%) respondents have no view, 22 (57.9 %) respondents agree and 13 (34.2%) respondents strongly agree that the banking regulation authorities enforce internal auditing practices in the Nigerian banking Industry. Table 4.8 for new generation shows that 1 (2.6%) respondent disagrees, 1 (2.8%) respondent is of no view, 15 (39.5%) respondents agree and 19 (50.0%) respondents strongly agree that the banking regulation authorities enforce internal auditing practices in the Nigerian banking Industry.

Question 3: Internal Audit performance-driven activities influence profitability of banks

Table 4.9

		OLD		**NEW**	
		Frequency	Percentage	Frequency	Percentage
Valid	No view	4	10.5	3	7.8
	Agree	18	47.4	15	39.5
	Strongly agree	14	37.8	15	39.5
	Disagree	2	5.3	3	7.8
	Strongly disagree	0	0	2	6.4
	Total	38	100.0	36	100.0

Source: Field Survey, 2017

Analysis: Table 4.9 for old generation shows that 2(5.3%) respondents disagree, 4(10.5%) are of no view, 18(47.4%) agree and 14(36.8%) strongly agree that the profitability of Nigerian banks is dependent on its Internal Audit performance-driven activities. Table 4.9 for new generation shows that 3 (7.8%) respondents disagree, 3 (7.8.3%) are of no view, 15(39.5%) agree and 15 (39.5%) strongly agree that the profitability of Nigerian banks is dependent on its Internal Audit performance-driven activities.

Question 4: The level of supervision of banking operations in Nigeria is below average

Table 4.10

Valid		**OLD**		**NEW**	
		Frequency	Percentage	Frequency	Percentage
	No view	4	10.5	2	5.3
	agree	15	39.5	19	50.0
	Strongly agree	11	28.9	11	28.9
	Disagree	3	7.9	2	5.3
	Strongly disagree	5	13.2	4	10.5
	Total	38	100.0	38	100.0

Source: Field Survey, 2017

Analysis: Table 4.10 for old generation shows that 5 (13.2%) respondents strongly disagree, 3 (7.9%) respondents disagree, 4 (10.5 %) respondents have no view, 15 (39.5%) respondents agree and 11(28.9%) respondents strongly agree that the level of supervision of banking operations in Nigeria is below average. Table 4.10 for new generation shows that 4 (10.5%) respondents strongly disagree, 2 (5.3%) respondents disagree, 2 (5.3 %) respondents have no view, 19 (50.0%) respondents agree and 11(28.9%) respondents strongly agree that the level of supervision of banking operations in Nigeria is below average.

Question 5: The availability of internal audit function affects the liquidity of banks

Table 4.11

Valid		**OLD**		**NEW**	
		Frequency	Percentage	Frequency	Percentage
	No view	4	10.5	4	10.5
	Agree	18	47.4	15	39.5
	Strongly agree	6	15.8	13	34.2
	Disagree	8	21.1	4	10.5
	Strongly disagree	2	5.3	2	5.3
	Total	38	100.0	38	100.0

Source: Field Survey, 2017

Analysis: Table 4.11 for old generation shows that out 2 (5.3%) respondents strongly disagree 8 (21.1%) respondents disagree, 4 (10.5%) are of no view, 18 (47.4%) respondents agree and 6 (15.8%) respondents strongly agree that the presence of internal audit function affects the liquidity of banks. Table 4.11 for new generation shows that 2 (5.3%) respondents strongly disagree, 4 (10.5%) respondents disagree 4(10.5.2%) are of no view 15 (39.5%) respondents agree and 13(34.2%) respondents strongly agree that the presence of internal audit function affects the liquidity of banks.

Question 6: The Qualification of the internal auditor affects the banks' performance

Table 4.12

Valid		**OLD**		**NEW**	
		Frequency	Percentage	Frequency	Percentage
	No view	2	5.3	2	5.6
	Agree	22	57.9	20	55.6
	Strongly agree	11	28.9	9	25.0
	Disagree	1	2.6	5	13.9
	Strongly disagree	2	5.3	2	5.6
	Total	38	100.0	38	100.0

Source: Field Survey, 2017

Analysis: Table 4.12 for old generation shows that out of a total of 38 respondents 2(5.3 %) respondents strongly disagree, 1(2.6%) respondents disagree, 2 (5.3%) respondents are of no view, 22 (57.9%) respondents agree and 11 (28.9%) respondents strongly agree that the qualification of internal auditors can affect the banks performance. Table 4.12 for new generation shows that out of a total of 38 respondents 5(13.9 %) respondents disagree, 1(2.6%) respondents have no view, 2 (5.3%) respondents are of no view, 20 (55.6%) respondents agree and 9 (25.0%) respondents strongly agree that the qualification of internal auditors can affect the banks performance.

Question 7: There is an adequate internal control system in Nigerian banks

Table 4.13

Valid		**OLD**		**NEW**	
		Frequency	Percentage	Frequency	Percentage
	No view	1	2.6	1	2.8
	Agree	20	52.6	18	50.0
	Strongly agree	10	26.3	12	33.3
	Disagree	2	5.3	4	11.1
	Strongly disagree	5	13.2	1	2.8
	Total	28	100.0	38	100.0

Source: Field Survey, 2017

Analysis:

Table 4.13 above shows that in old generation banks under study, 5 (13.2%) respondents strongly disagree ,2 (5.3%) respondents disagree, 1 (2.6%) respondent is of no view, 20 (52.6%) respondents agree and10 (26.3%) respondents strongly agree that there is an adequate Internal control system in Nigerian banks. Table 4.13 above shows that in new generation banks under study, 1 (2.8%) respondent strongly disagree ,4 (11.1%) respondents disagree, 1 (2.8%) respondent is of no view, 18 (50.0%) respondents agree and 12 (33.3%) respondents strongly agree that there is an adequate Internal control system in Nigerian banks.

Question 8: The internal audit processes are more effective than that of external audit in the Nigerian banking institution

Table 4.14

Valid		**OLD**		**NEW**	
		Frequency	Percentage	Frequency	Percentage
	No view	5	13.2	4	11.1
	Strongly disagree	3	7.9	2	5.6
	Disagree	4	10.5	9	25.0
	Agree	16	42.1	12	33.3
	Strongly agree	10	26.3	9	25.0
	Total	38	100.0	38	100.0

Source: Field Survey, 2017

Analysis: Table 4.14 shows that in the old generation, 3 (7.9%) respondents strongly disagree, 4(10.5%) respondents disagree, 5(13.2%) respondents are of now view, 16 (42.1%) respondents agree and 10 (26.3%) respondents strongly agree that the internal audit processes are more effective than that of external audit in the Nigerian banking Institution. Table 4.14 shows that in the new generation banks, 2 (5.6%) respondents strongly disagree, 9 (25.0%) respondents disagree, 4 (11.4%) respondents are of now view, 12 (33.3%) respondents agree and 9 (25.0%) respondents strongly agree that the internal audit processes are more effective than that of external audit in the Nigerian banking Institution.

Question 9: The Nigerian banking Institutions have done reasonably well to minimize the hindrances to effective internal auditing

Table 4.15

Valid		**OLD**		**NEW**	
		Frequency	Percentage	Frequency	Percentage
	No view	1	2.6	2	5.6
	Agree	21	55.3	14	38.9
	Strongly agree	14	36.8	13	36.1
	Disagree	2	5.3	6	16.7
	Strongly disagree	0	0	1	2.8
	Total	38	100.0	38	100.0

Source: Field Survey, 2017

Analysis: Table 4.15 for new generation shows that 2 (5.3%) respondents disagree, 1 (2.6%) respondent is of no view, 21 (55.3%) respondents agree and 14 (36.8%) respondents strongly agree that the Nigerian banking Institutions have done reasonably well to minimize the hindrances to effective internal auditing. The analysis of the Table 4.15 shows that, 1 (2.8%) respondent strongly disagrees, 6 (16.7%) respondent disagrees, 2 (5.6%) respondents are of no view, 14 (38.9%) respondents agree and 13 (36.1%) respondents strongly agree that the Nigerian banking Institutions have done reasonably well to minimize the hindrances to effective internal auditing.

Question 10: The impact of Internal Auditing has been positive on the performance of Nigerian banks over the years

Table 4.16

		OLD		**NEW**	
Valid		Frequency	Percentage	Frequency	Percentage
	No view	0	0	0	0
	Agree	19	50.0	16	42.1
	Strongly agree	19	50.0	22	57.9
	Disagree	0	0	0	0
	Strongly disagree	0	0	0	0
	Total	38	100.0	36	100.0

Source: Field Survey, 2017

Analysis: Table 4.16 for old generation shows that out of total of 39 respondents, 19 (50.0%) agree and 19 (50.0%) strongly agree that the impact of Internal Auditing has been positive on the performance of Nigerian banks over the years. Table 4.16 for new generation shows that out of total of 39 respondents, 16 (42.1%) agree and 22 (57.9%) strongly agree that the impact of Internal Auditing has been positive on the performance of Nigerian banks over the years.

Test of hypothesis and interpretation
Old generation banks

Hypothesis I
H_0: Internal audit activities do not influence profitability of banks
Table: 4.17: Internal Audit Vs Bank profitability
One Sample Statistics

	N	Mean	Standard Deviation	Standard Error Mean
Respondents' Perception	38	4.1579	0.82286	0.13349

One Sample Test

	Test Value=3					
	T	Df.	Sig. (2 tailed)	Mean difference	95% confidence interval of the difference	
					Lower	Upper
Respondents' Perception	8.674	37	0.000	1.15789	0.8874	1.4284

Decision Rule

The respondents who agreed that internal audit performance driven activities influence profitability of banks had a mean score of 4.16 with a standard deviation of 0.823 and a standard deviation error mean of 0.133. Against a cut off mark of 3, the mean difference was found to be 1.158. This mean difference was found to be significant at the 1% level since the asymptotic significant probability of 0.00 is less than 1%. Therefore we may conclude that at 95% confidence level, internal audit performance driven activities influence profitability of banks thereby rejecting the null hypothesis and accepting the alternate hypothesis.

Discussion of Finding

The above results show that respondents' perception of that internal audit performance driven activities influencing bank profitability is significant. In a nutshell, internal audit performance driven activities influence bank performance. The results are consistent with Obinyelu (2011) and Nnena (2012) who concluded that internal audit functions in firms contributes substantially to performance improvement, ensures overall performance of the corporation through effectiveness of the internal control system respectively and internal audit contributes to the overall performance of the firms by curtailing fraud and wasteful use of funds, encouraging workers to improve in provision of complete and accurate information.

Hypothesis 2

H_0: The availability of internal audit function does not affect the liquidity of banks

Table 4.18: Internal Audit Function Vs Liquidity of banks

One Sample Statistics

	N	Mean	Standard Deviation	Standard Error Mean
Respondents' Perception	38	3.4737	1.15634	0.18758

One Sample Test

	Test Value=3					
	T	Df.	Sig. (2 tailed)	Mean difference	95% confidence interval of the difference	
					Lower	Upper
Respondents' Perception	2.525	37	0.016	0.47368	0.0936	0.8538

Decision rule

The respondents who agreed that the availability of internal audit function affects the liquidity of banks had a mean score of 3.47 with a standard deviation of 1.16 and a standard deviation error mean of 0.188. Against a cut off mark of 3, the mean difference was found to be 0.474. This mean difference was found to be significant at the 1% level since the asymptotic significant probability of 0.16 is less than 1%. Therefore we may conclude that at 95% confidence level, internal audit function affects the liquidity of banks. Hence the researcher may reject the null hypothesis and accept the alternate hypothesis.

Discussion of finding

The second specific objective of this study was to ascertain the extent to which the presence internal audit function affects the liquidity of banks. The above results show that respondents' perception of internal audit function affecting the liquidity of banks is significant. In a nutshell, internal audit functions affect bank performance. The results are consistent with KPMG (1999), Obinyelu (2011) and Nnena (2012) who concluded that internal audit functions in organizations contributes substantially to performance improvement, ensures overall performance of the corporation through effectiveness of the internal control system respectively and internal audit contributes immensely to the overall performance of the organization by curtailing fraud and wasteful use of funds, encouraging workers to improve in provision of complete and accurate information.

Hypothesis 3

H_0: The qualification of the internal auditor does not affect the banks performance

Table 4.19: Qualification of Internal auditor Vs Bank Performance

One Sample Statistics

	N	Mean	Standard Deviation	Standard Error Mean
Respondents' Perception	38	4.0263	0.97223	0.15772

One Sample Test

	Test Value=3					
	T	Df.	Sig. (2 tailed)	Mean difference	95% confidence interval of the difference	
					Lower	Upper
Respondents' Perception	6.507	37	0.000	1.02632	0.7068	1.3459

Decision Rule

The respondents who agreed that the qualification of the internal auditor affects bank performance had a mean score of 4.03 with a standard deviation of 0.97 and a standard deviation error mean of 0.158. Against a cut off mark of 3, the mean difference was found to be 1.026. This mean difference was found to be significant at the 1% level since the asymptotic significant probability of 0.00 is less than 1%. Therefore we may conclude that at 95% confidence level, the qualification of internal auditors affects banks performance. Hence the null hypothesis is rejected and the alternate hypothesis is accepted.

Discussion of Finding

The third specific objective of this study was to examine the extent to which the internal auditor’s qualification affects banks performance. The above results show that respondents’ perception of internal auditor’s qualification affecting banks performance is significant. In a nutshell, internal auditor’s qualification affects bank performance. The results are consistent with Obinyelu (2011) and Nnena (2012) who concluded that internal audit functions in organizations contributes substantially to performance improvement, ensures overall performance of the corporation through effectiveness of the internal control system respectively and internal audit contributes immensely to the overall performance of the organization by curtailing fraud and wasteful use of funds, encouraging workers to improve in provision of complete and accurate information.

New generation banks

Hypothesis I

H_0: Internal audit activities do not influence profitability of banks

Table: 4.10: Internal Audit Vs Bank profitability

One Sample Statistics

	N	Mean	Standard Deviation	Standard Error Mean
Respondents' Perception	36	4.1667	0.91026	0.15171

One Sample Test

	Test Value=3					
	T	Df.	Sig. (2 tailed)	Mean difference	95% confidence interval of the difference	
					Lower	Upper
Respondents' Perception	7.690	35	0.000	1.16667	0.8587	1.4747

Decision rule

The respondents who agreed that internal audit performance driven activities influence profitability of banks had a mean score of 4.16 with a standard deviation of 0.910 and a standard deviation error mean of 0.152. Against a cut off mark of 3, the mean difference was found to be 1.167. This mean difference was found to be significant at the 1% level since the asymptotic significant probability of 0.00 is less than 1%. Therefore we may conclude that at 95% confidence level, internal audit performance driven activities influence profitability of banks thereby rejecting the null hypothesis and accepting the alternate hypothesis.

Discussion of Finding

The first specific objective of this study was to determine the extent to which internal audit performance-driven activities affect banks profitability. The above results show that respondents' perception of that internal audit performance driven activities influencing bank profitability is significant. In a nutshell, internal audit performance driven activities influence bank performance. The results are consistent with KPMG (1999), Obinyelu (2011) and Nnena (2012) who concluded that internal audit functions in organizations contributes substantially to performance improvement, ensures overall performance of the firms through effectiveness of the internal control system respectively and internal audit contributes immensely to the overall performance of the firm by curtailing fraud and wasteful use of funds, encouraging workers to improve in provision of complete and accurate information.

HYPOTHESIS 2

H_0: The availability of internal audit function does not affect the liquidity of banks

Table 4.21: Internal Audit Function Vs Liquidity of banks

One Sample Statistics

	N	Mean	Standard Deviation	Standard Error Mean
Respondents' Perception	36	3.0278	1.18288	0.19715

One Sample Test

	Test Value=3					
	T	Df.	Sig. (2 tailed)	Mean difference	95% confidence interval of the difference	
					Lower	Upper
Respondents' Perception	0.141	35	0.889	0.02778	-3725	0.4280

Decision Rule

The respondents who agreed that the availability of internal audit function affects the liquidity of banks had a mean score of 3.028 with a standard deviation of 1.18 and a standard deviation error mean of 0.1977. Against a cut off mark of 3, the mean difference was found to be 0.278. This mean difference was found to be significant at the 1% level since the asymptotic significant probability of 0.889 is less than 1%. Therefore we may conclude that at 95% confidence level, internal audit function affects the liquidity of banks. Hence the researcher may reject the null hypothesis and accept the alternate hypothesis.

Discussion of Finding

The second specific objective of this study was to ascertain the extent to which the presence internal audit function affects the liquidity of banks. The above results show that respondents' perception of internal audit function affecting the liquidity of banks is significant. In a nutshell, internal audit functions affect bank performance. The results are consistent with KPMG (1999), Obinyelu (2011) and Nnena (2012) who concluded that internal audit functions in organizations contributes substantially to performance improvement, ensures overall performance of the corporation through effectiveness of the internal control system respectively and internal audit contributes immensely to the overall performance of the organization by curtailing fraud and wasteful use of funds, encouraging workers to improve in provision of complete and accurate information.

Hypothesis 3

H_0: The qualification of the internal auditor does not affect the banks performance

Table 4.22: Qualification of Internal auditor Vs Bank Performance

One Sample Statistics

	N	Mean	Standard Deviation	Standard Error Mean
Respondents' Perception	36	3.9167	0.93732	0.15622

One Sample Test

	Test Value=3					
	T	Df.	Sig. (2 tailed)	Mean difference	95% confidence interval of the difference	
					Lower	Upper
Respondents' Perception	5.868	35	0.000	0.91667	0.5995	1.2338

Decision Rule

The respondents who agreed that the qualification of the internal auditor affects bank performance had a mean score of 3.917 with a standard deviation of 0.94 and a standard deviation error mean of 0.156. Against a cut off mark of 3, the mean difference was found to be 0.917. This mean difference was found to be significant at the 1% level since the asymptotic significant probability of 0.00 is less than 1%. Therefore we may conclude that at 95% confidence level, the qualification of internal auditors affects banks performance. Hence the null hypothesis is rejected and the alternate hypothesis is accepted.

Discussion of Finding

The third specific objective of this study was to examine the extent to which the internal auditor's qualification affects banks performance. The above results show that respondents' perception of internal auditor's qualification affecting banks performance is significant. In a nutshell, internal auditor's qualification affects bank performance. The results are consistent with KPMG (1999), Obinyelu (2011) and Nnena (2012) who concluded that internal audit functions in organizations contributes substantially to performance improvement, ensures overall performance of the corporation through effectiveness of the internal control system respectively and internal audit contributes immensely to the overall performance of the organization by curtailing fraud and wasteful use of funds, encouraging workers to improve in provision of complete and accurate information.

CONCLUSION AND RECOMMENDATION

Conclusion

Based on the analysis carried out in the preceding section, internal audit performance driven activities influence the profitability of banks. The result of the test of the hypothesis carried out using T-test analysis show that the profitability of banks is influenced by internal audit performance-driven activities. While in the new generation banks, the same conclusion was arrived at as to the profitability of Nigerian banks being influenced by its internal audit performance driven activities. The test of hypothesis done the researcher found out that the profitability of Nigerian banks is dependent on its Internal Audit performance-driven activities. The availability of internal audit function affects the liquidity of banks; for the old generation banks, from the analysis done in the previous section. The availability of internal audit function affects the liquidity of banks as the test of hypothesis carried out also agrees to this fact. For the new generation banks, the test of hypothesis done showed that the availability of internal audit function affects the liquidity of banks. The qualifications of the internal auditor affect the banks performance from the analysis done. The test of hypothesis carried out, revealed to the researcher that the qualification of internal auditors affects banks performance. The same conclusion can be made as regards the new generation banks. The test of hypothesis carried out by the researcher revealed also that the qualification of internal auditors can affect the banks performance.

RECOMMENDATIONS

In line with analysis carried out in previous chapters and the findings gathered and in addition to the review of relevant literature and responses of respondents, the following are the general recommendations for the Nigerian banking institution which are deemed necessary to ensure that a banks internal audit is strong in relation to improving the bank performance.

1. The internal audit department should be monitored and improved regularly by the bank it operates in. Giving more attention to them than external auditing to effect positive performance on the Nigerian banks
2. Internal auditors should know and do their jobs properly by regularly checking the activities of the bank officials and should never condone any form of financial malpractices no matter the magnitude of offence by the bank officials.
3. The internal auditors should always abide by the rules, codes and conducts guiding the IIA and more training should be provided by the banks for their internal auditors and laid down consequences should also be strictly adhered to when they are faulted.
4. Only qualified auditors should be appointed to carry out the job effectively and when any audit and the bank in return should provide accurate information for the auditors and before any appointment of an auditor, the legitimacy of the internal auditors

resume should be properly checked. A vivid and strict investigation should be carried out on operating staffs from time to time and the banking institution should take time to change their auditors as the continue existing which will help improve their performances.

6. Bank management should always be very concerned about the internal audit system and its reports. Financial decisions should also be made after proper consideration of the internal auditors report.

7. Transparency and Accountability: "transparency and accountability are the two primary internal auditing and corporate governance mechanisms used to control managerial behavior. Banking industry in Nigeria should therefore ensure compliance to the principles of accountability and transparency in the preparation and presentation of their financial statements".

8. The Internal auditors should always audit their work as early as possible so as to avoid too much work load which could be a hindrance to maintaining a fair view of financial records and making these information unreliable.

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Reference to this paper should be made as follows: *Adegbola Olubukola Otekunrin et al.,* (2018), The Impact of Internal Auditing on the Performance of the Nigerian Banking Industry: Case Study of Four Banks. *J. of Management and Corporate Governance,* Vol.10, No.1, Pp 31-65