Internal Audit Effectiveness and Internally Generated Revenue in Taraba State Board of Internal Revenue

By

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(ACC/MTFM/16/0092)

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THESIS SUBMITTED TO THE DEPARTMENT OF ACCOUNTANCY, MODIBBO ADAMA UNIVERSITY OF TECHNOLOGY, YOLA, IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTERS IN TREASURY MANAGEMENT (MTM), DEPARTMENT OF ACCOUNTANCY, SCHOOL OF MANAGEMENT AND INFORMATION TECHNOLOGY

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DECLARATION PAGE

I hereby declare that this thesis was written by me and it is a record of my own research work. It has not been presented before in any previous application for a higher degree. All Sources of materials used have been duly acknowledged; any error in the thesis is not intentional and is highly regretted.

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DEDICATION PAGE

I dedicate this project to God Almighty the creator and to my late father (HRH) Alhaji Dr. Bala Abubakar Yaroji and my Mother Hajiya Amina Dr. Bala Abubakar Yaroji.

APPROVAL PAGE

This thesis entitled "internal audit effectiveness and internally generated revenue in Taraba state board of internal revenue" meet the regulations governing the award of master's degree in treasury and financial management of Modibbo Adama University of Technology, Yola and is approved for its contribution to knowledge and literary presentation.

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ABSTRACT

The study aims at examining internal audit effectiveness and perceived internally generated revenue in Taraba state board of internal revenue, Taraba State Board of Internal Revenue Taraba state of Nigeria were considered the population and are as well maintained as the sample size of the study. Primary data was gathered from the staff of the Taraba state board of internal revenue. The study used survey design. Due to the nature of the data that was collected, cross-sectional survey design was used. Were carried out to answer the research question raised in this study. The study also revealed that relationship between internal and external auditors has negative insignificant internal generated revenue in Taraba state board of internal revenue, competence of internal audit unit has negative significant impact on the internal generated revenue in Taraba state board of internal revenue. On the other hand, the relationship between independence of internal audit and competence of internal audit unit and independence of internal audit and management support to internal audit are positively related among themselves. The management of Taraba state board of internal revenue should work very hard to optimize the effect of internal audit effectiveness of the Taraba state board of internal revenue in order to increase the internally generated revenue. They can do that through ensuring that their effect of internal audit effectiveness.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Internal auditing plays a critical role in the governance and operation of an organization. When effectively implemented, operated, and managed, it is an important element in helping an organization achieve its objectives. Organizations that effectively use internal auditing are better able to identify business risks and process and system inefficiencies, take appropriate corrective action, and ultimately support continuous improvement (The Institute of Internal Auditors, IIA, 2010). To maintain and enhance internal auditing's credibility; however, its effectiveness and efficiency must be monitored. Moreover, internal audit function is an area that has received a considerable attention in recent times. The subject is worthy of attention because internal auditors are important, even crucial, in an economy that relies upon independently produced information (Van Peursem, 2005).

In essence, the internal audit function has been acknowledged as a value-adding function to an organization because of its unique role in governance, control, and risk management (Soh &Martinov-Bennie, 2011). Specifically, the internal audit functions have been acknowledged to reduce risks, improve control risks, minimize external monitoring cost, minimize earnings management, moderate fraud risks, reduce opportunistic behaviours and perform other non-financial statement related task within an organization (Ege, 2015; Prawitt, Smith, & Wood,2009). Also, the quality of the internal audit is capable of ensuring sound governance and accountability, alongside increases revenue generation and reduces expenditure excesses in the public sector (Lapointe, 2008).

Internal auditors assist management by examining, evaluating and reporting on the adequacy and effectiveness of the management's risk processes and by recommending improvements when necessary (Goodwin-Stewart & Kent, 2006). Besides recent research shows that Internal Audit (IA) effectiveness does play a role in ensuring effective management in public sector (Enofe et *al.* 2013). Moreover, internal audit is considered as a value adding activity in contemporary organizations (Al-Twaijry, Brierley & Gwilliam 2003). Internal auditing ensures that funds have been expended in accordance with the terms by which such monies were appropriated and that accounts have been properly prepared (Johnson, 2004). It provides both governments and related parties with a powerful tool for understanding the extent to which the public institution has delivered on-budget and effective services.

Specifically, Internal audit is effective if it meets the intended outcome it is supposed to bring about (Getie Mihret & Wondim Yismaw, 2007).Van Gansberghe (2005) explains that internal audit effectiveness in the public sector should be evaluated by the extent to which it contributes to the demonstration of effective and efficient service delivery, as this drives the demand for improved internal audit services. Moreover, the effectiveness of internal audit greatly contributes to the effectiveness of each auditee in particular and the organization at large (Dittenhofer, 2001). Dittenhofer further observed that if internal audit quality is maintained, it will contribute to the appropriateness of procedures and operations of the auditee, and thereby internal audit contributes to effectiveness of the auditee and the organization as a whole.

However, every government has numerous objectives to achieve that include securing of lives and properties, provision of infrastructure and other social amenities, creating an enabling business environment, employments creation and jobs protection among others, to its citizens (Abba & Kakanda, 2017). The authors further stressed that these objectives could be achieved through revenues accruing to the government over a given period of time. Specifically, government can raise revenues by either through tax or non-tax mechanisms (e.g., licensing of motor vehicles, medical fees, court fines, rent of government properties, earnings and sales etc.). In this effect, unless the revenues raised are effectively and efficiently utilized for the intended objective, generating of all these sources may have a deterrent effect on the dwindling revenue of government and performance of the economy (Adenugba & Ogechi, 2013; Muhammed & Asfaw, 2014).

Therefore, revenue encompasses receipts from tax and non-tax sources which are also generated from sale of government properties or from other interests on loans and returns from investments (Hamid, 2008).Revenues accruing to government are basically derived from two major sources; internally generated revenue and statutory allocation from federation account (Adams, 2006). At the second tier and third tier levels of government, revenues which are derived from within the state or local government are referred to as 'internally generated revenue' while externally generated revenues are those derived from federation account allocation, excess crude oil, value added tax among others (Abba, Bello & Modibbo, 2015; Adams, 2006).

Since it has become apparent that the effectiveness of internal audit plays a role in ensuring effective management in public sector, ensures that funds have been expended in accordance with the terms by which such monies were appropriated and that accounts have been properly prepared, this study will therefore empirically examine the relationship between the antecedents of internal audit effectiveness and perceived internally generated revenue in Taraba State.

1.2 Statement of the Research Problem

The increasing cost of running government coupled with dwindling revenue has led various state governments in Nigeria with formulating strategies to improve the revenue base. Moreover, the near collapse of the national economy has created serious financial stress for all tiers of government (Adenugba & Ogechi, 2013). However, despite the numerous sources of revenue available to the various tiers of government as specified in the Nigerian 1999 constitution, since the 1970 till now, over 80% of the annual revenue of the three tiers of government comes from crude oil. Adenugba and Ogechi (2013) further stressed that the serious decline in the price of oil in recent years has led to a decrease in the funds available for distribution to the states. Therefore, the need for states and local governments to generate adequate revenue from internal source has become a matter of extreme urgency and importance. This need underscores the eagerness on part of the states and local governments and even the federal government to look for new sources of revenue or to become aggressive and innovative in the mode of collecting revenue from existing sources.

However, a state that is viable is one that has a stable polity, has capacity to, in all transparency, implement a budget, upgrade and maintain existing infrastructure, pay its civil servants and carry out projected capital infrastructural development. A state that is viable should be able to quote savings into a consolidated fund, to ensure that it can survive for at least 3 months, without the allocated revenue from the Federation Account (Asimiyu & Kizito, 2014). If the attainment of internally generated revenue (IGR) is used as a criterion for viability, many states in Nigeria are not viable. Additionally, many states in Nigeria today cannot be weaned from the federation account.

Moreover, Asimiyu and Kizito (2014) opined that no state can adequately attend to issues of development without having in place adequate and sustainable revenue sources. It is becoming extremely difficult for state governments to execute developmental agenda without measures in place to guarantee revenue sources to finance the projects and programs. The issue of adequate revenue is essential for the sustainability of states especially in the face of the recent global economic meltdown. The recent global economic recession means that governments at all levels must adopt effective initiatives for combating the effects of the recession.

Contrastingly, despite the significant role played by internal audit effectiveness in ensuring effective management in public sector, today's internal auditing independency is impaired because most of the time they are attached with internal functional areas (Salihu, 2015). Also, recent research on internal audit effectiveness in Adamawa state local governments by Salihu (2015) reveals that the internal audit units lack management support, and most of the internal auditors do not have the requisite educational qualifications.

Nevertheless, there are numerous studies conducted on internal audit effectiveness. For instance, Badara and Saidin, (2012), Cohen and Sayag (2010), Dittenhofer (2001), Salihu, (2015), Spraakman (1997), Unegbu and Kida, (2011) VanGansberghe (2005), and Xiangdong, (1997), to mention but a few. However, these studies have either focused on the internal audit's ability to plan, execute and objectively communicate useful findings, or taken a broader view and included factors that transcend the boundary of a single organization. Therefore, this study is will focus on the area neglected by previous studies by concentrating on the antecedents of internal audit effectiveness (competence of internal audit, internal and external auditor relationship, management support, and independence of internal auditor) and perceived internally generated revenue in Taraba State Board of Internal Revenue.

1.3 Objectives of the Study

The main objective of this study is to examine the effect of internal audit effectiveness on perceived internally generated revenue in Taraba StateBoard of Internal Revenue. Other specific objectives are to:

i. Examine whether the competence of the internal audit unit influences perceived IGR in Taraba State Board of Internal Revenue.
ii. Examine whether relationship between internal and external auditors influences perceived IGR in Taraba State Board of Internal Revenue.
iii. Examine whether management support for internal audit has significant impact on perceived IGR in Taraba State Board of Internal Revenue.
iv. Examine whether the independence of the internal audit unit has significant influence on perceived IGR in Taraba State Board of Internal Revenue.

1.4 Research Questions

In concordance with the objectives of this study, the following research questions are raised to guide the study:

i. Does the competence of the internal audit unit influences perceive IGR in Taraba State Board of Internal Revenue?
ii. Does the relationship between internal and external auditors influences perceived IGR in Taraba State Board of Internal Revenue?
iii. Does management support for internal audit has significant impact on perceived IGR in Taraba State Board of Internal Revenue?

iv. Does independence of the internal audit unit have significant influence on perceived IGR in Taraba State Board of Internal Revenue?

1.5 Research Hypotheses

Based on the objectives and research questions of this study, the following hypotheses are formulated in null form (Ho) in order to arrive at a logical conclusion:

i. Competence of the internal audit unit does not influences perceive IGR in Taraba State Board of Internal Revenue.
ii. The relationship between internal and external auditors does not influences perceived IGR in Taraba State Board of Internal Revenue.
iii. Management support for internal audit does not have significant impact on perceived IGR in Taraba State Board of Internal Revenue.
iv. Independence of the internal audit unit does not have significant influence on perceived IGR in Taraba State Board of Internal Revenue.

1.6 Significance of the Study

It is considerably beyond doubt that, after successful completion of this study, it will be of significant benefit to various parties like; government, internal auditors, management of Taraba State Board of Internal Revenue, and researchers.

To Taraba State government and management of TSBIR, the study will benefit them as they willknow cum understand the effectiveness of the internal audit units Taraba State Board of Internal Revenue. Moreover, it will help the government of the state in identifying the area that need to be checked or be improved and necessary action be taken in order to ensure that the internal audits are performing their work in giving assurance. While to internal auditors, they will also be informed from this study on the perception of other staff of the board on their effectiveness or otherwise. They will also know if their relationship with external auditors is a good one or not, and how it affects their effectiveness. In general, the internal auditors will also be informed on the area that they need to improve when discharging their responsibilities.

Lastly, this study will contribute empirically by adding value to the existing body of knowledge because it is first of its kind in the state. Again, future researchers will find it indispensable because it will serve as a guide cum a reference material to relevant field of inquiry.

1.7 Scope of the Study

This study sought to examine the impact of internal audit effectiveness on the perceived internally generated revenue in Taraba State public sector (Taraba State Board of Internal Revenue). Both Internal audit effectiveness and internally generated revenue will be assessed as perceived by the staff of Taraba State Board of Internal Revenue (TSBIR). Specifically, the study will focus on the competence, independence, relationship between internal and external auditors and management support for internal audit of TSBIR. In addition, the perception of the respondents will be based on what has transpired over several periods regarding their years in service. Therefore, this study will examine if internal audits as providers of concrete service to the management were effective considering the variables selected for the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature on revenue, sources of government revenue. In addition, the chapter was also review important issues relating to the study such as the competence of internal audit unit, size of internal audit, relationship between internal and external audit, management support and independence of internal audit. Also, some theories relevant to the study are reviewed in this chapter.

2.2 The Concept of Revenue

Revenue refers to that monetary event of asset valves increasing in the organization because of the physical event of production or sales of products or services of the organization (Pandey, 1996). Rittenberg and Schwieger (2005) define revenue as the inflows or enhancements of assets of a firm or settlements of its liabilities during a period from delivery or producing goods, rendering service or other activities that constitutes the entity’s ongoing major or central operations. In addition, described revenue as inflows of asset (almost always cash or accounts receivables) received for products or services provided to customers.

Organizational performance is in terms of revenue generation portrayed by the levels of assets accumulation, wealth created, and the quality services by customer level of satisfaction and customer complaints (Kloot, 1999) cited in Ndungu (2013). For better revenue generation, organizations should critically look at customers and other stakeholders in business and establish how best they are satisfying their needs. Organizations should continuously improve their revenue and have an internal control system that is intervened with organizations operating activities and it is most effective when controls are built into the organizations infrastructure in terms of continued improvement on performance standards as part of the competitive advantage of the organization (Ndungu, 2013).

Hamid (2008) opines that, revenue comprises receipts from taxations as well as non-tax revenue; revenues are also realized from the disposal of government properties or from other interests and returns loans and investment earning from user charges. Adams (2006) defined revenue as the fund required by the government to finance its activities. These funds are generated from different sources such as taxes, borrowing, fine, fees among others. Whereas Dandago and Alabade (2000) opined that revenue is an income required by government to finance its growing expenditure. Moreover, Adebayo (1998) define revenue as any income or returns accruing to or derived by the government any returns by way of interest on loan and divided in respect of shares or interest held by the government any returns by way of interest on loan and dividend in respect of shares or interest held by the government in any company or statutory body.

However, States revenue comprises of receipt from taxation as well as those which are not the proceeds of taxation, but of either the realization from the sale of government properties or other interests and returns from loans and investment earning. Bhatia (2001) cited in Adenugba and Ogechi (2013) contends that revenue receipt includes “routine” and “earned” income. For these reasons, according to him, revenue do not include borrowing and recovery of loans from other parties, but it includes tax receipts, donations, grants, fees and fines and so on. In this regard, government revenue includes tax collections, charges and miscellaneous revenues, utility and insurance trust revenue for all funds and agencies of a government.

According to Stephen and Osagie (1985) cited in Adenugba and Ogechi (2013), Public revenue is concerned with various ways in which the government raises revenue. From the foregoing definitions, it can be said that revenue is the total amount of income accruing to a state from various sources within a specified period of time. State government, like the other two tiers of government, has sources and uses of revenue. Revenue that accrues to government is basically divided into two types. These are internally generally generated revenue and revenue allocated from the Federation Account.

2.2.1 Sources of Government Revenue

The financial business in the public sector is similar to that applicable to the private sector. In the public sector, the government has to live and perform it duties to the nation; as a result, there must be a monetary means for livelihood (Adams, 2006). Government generates revenue from various sources to run the administration of the Nation and to provide the development projects in all sectors of the economy. Such revenues are generated by the revenue generation agencies and organizations through effective machinery, and allocated through the budgetary system to the spending organizations for their operations. A good system of revenue generation is paramount to ensure that government mobilizes enough finances for the expenditures of the Nation to meet the varied needs of the people.

In Nigeria, the federal government derives its revenue from different sources, paid into the Consolidated Revenue Fund (CRF). The CRF is at any point in time, the amount standing to the credit of the federal government and is represented by cash assets. The CRF was established by the constitution of the Federal Republic of Nigeria, 1999, the Finance (Control and Management) Act of 1958, and the Audit

Ordinance of 1956, which states that there shall be established a CRF, into which shall be paid all income derived by government, brought in by government from all sources, except those that were specifically designated to other funds (Adams, 2006).

Additionally, Adams (2006) stressed that the various sources of income credited to the CRF were established into different heads (1 to 16). The categories of revenues from head 1 to 16 are: Indirect taxes, Direct taxes, Licenses and Internal Revenue, Mining, Fees, Earning and Sales, Rent of government property, Interest and Repayment (General), Interest and Repayment (States), Reimbursements, Armed Forces and Miscellaneous.

2.2.1.1 State Government Source of Finance

In Nigeria, state government generated their revenue through two major sources: (1) Statutory Allocation and (2) Internally Generated Revenue (IGR) (Abba *et al.*, 2015). The statutory allocation is an external source of revenue to state government. It is a compulsory monthly allocation from the Federation Accounts Revenue Heads to the accounts of Federal, States and local governments. The allocation is based on a specified percentage which changes from time to time and subject to approval by the National Assembly.

Conversely, the Internally Generated Revenue of the state is made up of public monies which come from; tax and non-tax revenue, grants and other receipts (Adams, 2004). These can be explained as follows:

2.2.1.1.1 Tax Revenue

This is the main source of government revenue. This refers to monies that are collected from individuals, in their private capacities, and from organizations. Government collects monies from these sources to enable it to provide the services that it is responsible to undertake for the citizens. According to the principles of public finance, tax revenue should be the main source of finance for the public sector. Citizens should in the main be the contributors of such finance for the development of the Nation. Tax is divided into direct tax and indirect tax. Direct Tax is paid directly by individuals and organizations and is charged on the income that they earn from their professions and operations. Examples of Direct Tax are: Income tax (which is paid by individuals on their income). This is commonly referred to as Pay As You Earn (PAYE) and Corporate Tax (which is paid by business organizations on the profits which they make from their operations).

On the other hand, Indirect tax is a tax which is not paid directly by the person who suffers or bears the burden. This type of tax is put on goods and services that are bought and consumed by individuals. Examples of Indirect Tax are: Petroleum Tax (Such tax is put on the price of petrol or gas fuel), Value added tax (tax is put on some classes of goods and services), Import Duties (taxes put on goods imported into the country) and Export Duties (taxes put on goods exported out of the country).

2.2.1.1.2 Non-tax Revenue

This is made up of all revenues, other than taxes, that are generated by government departments. Examples of these can be internally generated revenues and fines and penalties by law enforcement agencies and the courts, fees and charges, property and vehicle licenses by licensing authorities, rent on government lands and buildings.

2.2.1.1.3 Internally Generated Revenue

These are monies that are generated by government departments from various internal activities or operations that they undertake. These are also known as user-fees or user-charges. Internal revenue can either be generated by the state or local government.

Examples of such internal revenues generated by states are: Pay-As-You-Earn (PAYE), Direct taxation (Self-assessment), Withholding taxes (individuals only), Capital Gains Tax on individuals only, Stamp duties on instruments executed by individuals, Pools betting and casino taxes, Road taxes, Development levy for individuals only, Naming of street registration fee in State capital, Right of occupancy on land by State government in urban areas, Market taxes and levies where State finances are involved and Business premises registration fees for Urban and Rural areas.

While examples of such internal revenues generated by states are: taxes and levies from shops and kiosks rates, tenements rates on and liquor, license fees, slaughter slab fees, naming of street registration except that of state capital street, right of occupancy fees on land in rural areas, market taxes, motor park levies, domestic animals license fees, wrong parking charges, signboard and advertisement permit fees (Buhari, 2001).

2.3 Competence of the Internal Audit Unit

Competence has been defined as the ability to perform to an activity to recognized standards (Jessup, 1991), and in occupational terms, as indicated when a person has the stock of skills, knowledge and understanding which he or she can apply in a range of contexts and organizations (ibid). Tarr (2002) and Desai et *al.* (2005) considered educational level and professional experience as the main components of internal auditor's competence. The quality of internal audit has been acknowledged to minimize risks, improve control issues, reduce external monitoring cost, reduce earnings management, mitigate fraud risks and minimize other opportunistic behaviours within an organization (Ege, 2014; Prawitt, Smith, & Wood, 2009). However, Davidson, Goodwin-Stewart, and Kent (2005) found no evidence that the presence of internal audit could be associated with lower earnings management. Also, Ege (2014) suggest that if managers can control the quality of internal audit, they can easily engage in opportunistic behaviours without being noticed. The implication of the above is that an organization may still have an internal audit function, yet management excesses may not be curtailed especially where aspects of the function can be contained by management. Most studies on the quality of internal audit and various aspect of an organization were done in the private sector and few have delved into the subject in the Nigerian context. For example, Onatuyeh and Aniefor (2013) examined the role of effective internal audit in management and accountability of the public sector using 245 respondents of audit departments of ministries and government agencies in Edo state in Nigeria. Although their study found some evidence that effective internal audit promotes accountability, their measure of effective internal audit leaves much to be desired as no reliability or previous test of their instrument was reported. Also, analysis was merely descriptive. In another study, Ebimobowei and Kereotu (2011) conducted a study of audit expectation gap in two southern states of Nigeria using 96 internal auditors in state ministries. Their study suggests that the widespread governance failures are a result of internal audit not performing its role. Their study ignored the quality of internal audit in arriving at their conclusion as the quality of internal audit is important both for role performance and contribution to organizational performance. Baltaci and Yilmaz (2006) acknowledged the limited number of studies on internal audit in the public sector especially at the local government level and called for more research. Furthermore a close look at internal audit quality shows the similarity of the concept with that of internal audit effectiveness. Internal audit quality has been defined variously by researchers (Bame-aldred, Brandon, Messier, Rittenberg, & Stefaniak, 2013; Prawitt et al., 2009). According to the Institute of Internal Auditors (2012), measures of internal audit quality includes competence, objectivity, independence and integrity, and work performance. It has also been argued that a high quality internal audit in organizations provides more support to the audit committee and is more responsive in risk management (Spira & Page, 2003; Zaman & Sarens, 2013). These measures are important factors in internal audit playing a significant role in governance, control and risk management.

A comparison of the above components of internal audit quality with the internal audit effectiveness measures shows striking similarities in the measurement of the variables. For example, internal audit quality is seen as percentage of completed audit plan within a financial year (Zaman & Sarens, 2013), the existence of internal audit quality assurance and improvement program (Elliott, Dawson, & Edwards, 2007), internal audit compliance with standards for professional practice of internal auditing (Abdolmohammadi, 2009), external assessment of internal audit (Institute of Internal Auditors, 2011), certification and experience (Hutchinson & Zain, 2009). These measures are in line with the process, output, and outcome measures that have been used by various researchers and they are also in line with Institute of Internal Auditors (2009) internal audit performance measures. Thus, the concept of quality has been used differently depending on researchers' focus. In addition to these two elements, Mulugeta (2008) considered professional qualifications and continuous development as indicators for measuring internal auditors' competencies. Obeid (2010) used educational qualifications, work experience, and training as indicators to address the competence of internal audit. This competence of internal audit staff is reviewed from several perspectives: educational qualifications and work experience and professional qualifications Education and experience are important indicators of the internal auditor's proficiency. Bethea (1992:40) notes that "professional competence is achieved through education and related work experience". In order to carry out internal audit duties adequately, internal auditors should have sufficient qualification, competence, and practical experience (Gramling et *al.*, 2004). The IIA Practice Advisory 1210-1 in respect of Proficiency recommended professional competence by setting appropriate criteria of education and experience, as requirements of recruiting internal audit staff.

In the assessment of professional competence, it is suggested that staff of internal audit should have a wide range of knowledge, skills, and disciplines (e. g. principles of management, fundamentals of accounting, economics, and finance). If an internal audit department cannot demonstrate that it possesses such expertise, then it should use consultants who can provide that knowledge and skill. The important point for any head of internal auditing to grasp is that the department as a whole should employ personnel who between them can demonstrate the acquisition of knowledge and skill in all these disciplines, and therefore in recruiting, the head must take account of the expertise already within the department so that it is properly complemented (Colbert, 2002).

In this respect, there is need for organizations make internal auditors competence as part of their top priorities. Engle (1999) opined that competent internal audit staff brings a number of benefits, which include: undertaking useful audits that can effectively contribute to the achievement of organizational goals; increasing external auditors confidence on the internal audit, and thereby reducing the cost of external audits; providing useful information about the financial statements, thereby reducing any disagreement between the external auditors and management over the application of accounting principles.

As a part of the educational qualification, a number of studies recommended the provision of taught courses on internal auditing by academic providers. A survey of Australian chief executives and managers of internal audit in both public and private sectors (Cooper et *al.*, 1994) showed that 80% of the respondents agreed on the importance of having internal audit courses and programmes in universities. Fernandes et *al.* (1995) highlighted the development of the internal audit course curriculum. They identified course objectives that would improve the students' understanding of internal audit function. The authors also addressed course content, methods of instruction, IIA involvement, detailed objectives, and course evaluation.

Evidently, suitable educational background and work experience are important prerequisites for high quality internal auditing staff, and whether senior or junior, such individuals must be in possession of the professional competence to apply the internal auditing standards, procedures and techniques, and the organization should ensure that such professional competence is regularly checked and updated.

In addition to the educational qualification and working experience, professional qualifications are considered another indicator of the internal auditor's proficiency (Tarr, 2000). Given the importance of internal auditors and the benefits gained by organizations through their employment of such professionals, it is appropriate to ensure that internal auditors continue to be properly qualified so that their contribution to the robustness of the internal audit process is sustained (Felts, 1994). Recognizing this need, various countries have implemented professional development programmes to heighten the quality of these personnel, one such initiative, which has been referred to previously, being the Certified Internal Auditor (CIA) qualification which was established by the IIA in 1975. In order to become a CIA, a person must possess a BSc degree, pass the professional examinations, gain experience in the auditing profession, be committed to the IIA's Code of Ethics, and complete the necessary continuing professional development programmes (Myers & Gramling, 1997).

Despite these requirements, however, there has been little research into the organizational benefits of employing CIAs. One study that has been conducted is that of Agrawal and Siegel (1989) who questioned 2,012 CIAs (in the US) employed in the area of corporate accounting, with a view to establishing the extent to which their CIA certification raised the reputation and promoted the professional advancement of internal auditors. The findings, from a 68% response rate to the survey, were that internal auditors' motives for taking the CIA were linked to professional advancement, but that such advancement did not in reality occur, and that this negative feeling was more prominent amongst CIAs who also held the Certified Public Accountant (CPA) qualification, or a Master's degree (Vinten, 2004). In contrast, in a survey of 200 internal audit directors, chief finance officers, and board members, Myers and Gramling (1997) found that there were perceived advantages in the form of professional development, and promotion, to be gained by auditors from possessing the CIA qualification, since this was a signal of competence, and also an improvement to an auditor's curriculum vitae, that in itself allowed for movement to other companies.

Arena and Azzone (2009) explored the organizational influences upon internal audit effectiveness in the Italian private sector. A conceptual model founded upon size of internal audit team (resources), competencies of internal audit team, involvement of internal auditors in activities supporting risk management processes, and the level of interaction between internal audit and audit committee, was tested using regression to assess the relationship between these four independent variables and internal audit effectiveness as the dependent variable. The percentage of internal auditors' recommendations that were subsequently implemented was taken as the measure of effectiveness. Three variables were used as indicators of the internal auditors' competencies: these were whether the head of the internal audit department held membership of the IIA, achievement of CIA certification, and achievement of CPA certification. The results showed some association between internal auditors' competencies and internal audit effectiveness. In particular there was a significant and positive association in respect to the head of internal audit's membership of the IIA and the effectiveness of internal audit, but there was no significant association between effectiveness and the possession of a professional qualification.

2.4 Co-operation between the internal and external auditor

Internal audit departments should maintain good co-operation with external auditors for mutual benefit. Such a relationship between the internal and external auditors is very important for both parties because, in this way, external auditors have the opportunity to increase efficiency and credibility of financial statements; and it enables internal auditors to obtain essential information in the assessment of risks control. Mihret’s (2010) study revealed the importance of internal and external audit linkages; and Arena and Azzone (2009) and Goodwin (2004) state that a positive interaction between IA and external audit is very important for both aspects. The relationship between the internal and the external auditors assists the board of directors through its audit committee to effectively oversee the audit process and the financial reporting process (Braiotta & Marsh, 1992). The board of directors, the audit committees, executive managers, internal auditors and external auditors are the cornerstones of effective corporate governance in organizations. Therefore, effective corporate governance should be maintained based upon a strong relationship between external auditors and the internal audit function. The International Federation of

Accountants (2008) highlights the need for coordinating the efforts of both internal and external auditors. The importance of the relationship between internal audit and external audit is reaffirmed by the International Federation of Accountants (2008) as follows:

1. The role of the internal audit function is determined by management or those charged with governance. The objectives of management and those charged with governance differ from those of the external auditor whose overall objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to report on the financial statements in accordance with the auditor‘s findings. The objectives of the internal audit function vary according to the requirements of management or those charged with governance.

2. The internal audit function may achieve its objectives in a manner similar to that of the external auditor. Accordingly, certain aspects of the internal audit function‘s activities may be useful to the external auditor in determining the nature, timing and extent of audit procedures to be performed.

3. Notwithstanding its degree of autonomy and objectivity, the internal audit function is not independent of management or the entity. The external auditor has sole responsibility for the audit opinion expressed and, accordingly, that responsibility is not reduced by the external auditor‘s use of the work of the internal audit function‘.

Therefore, there is no doubt neither party can do without the other; and the work and success of one party is crucial to the success of the other. As a result, the interaction between the internal and external auditors should contribute to IA effectiveness. However, a survey of external auditors in Saudi Arabia (Al-Twaijry, Brierley &

Gwilliam 2004) indicates that co-operation with the internal audit function is dependent on several factors, including the extent to which internal auditors are perceived to be trustworthy professionals who understand the external auditors' work; the extent to which internal audit staff are perceived as good professionals; and the extent to which internal auditors are independent.

Arena and Jeppesen (2010) indicate that the relationship between IA and external auditing is gradually becoming one of intellectual jurisdiction, where external auditing as the superior profession controls the knowledge base of internal auditing, but allows internal auditors to practice IA as they please.

Although management determines the role of internal auditing and its objectives differently from those of the external auditor (who is appointed to report independently on the financial statements), they share a common secondary objective, that is, ensuring the adequacy of the internal accounting control system (Pickett, 2003).

Therefore, professional accounting bodies that represent both internal and external auditors have expressed interest in increasing the level of co-operation between the internal and external audit (Morrill & Morrill, 2003) because co-operation between the internal and external auditors can provide total audit coverage more efficiently and effectively (Engle, 1999). While internal auditors are increasingly contributing to the work performed by external auditors (Burnaby & Klein 2000), external auditors assist in the development of internal auditors by, inter alia, serving as a market for recruitment of internal auditors (Al-Twaijry, Brierley & Gwilliam 2004; Arena, Arnaboldi & Azzone 2006).

Paape (2007) states that it is in the best interests of both external and internal auditors to closely cooperate and coordinate their activities. It will not only strengthen service payoff and reduce cost savings, but also demonstrate true grown up professionalism. It will also make the external audit job, of supervising both, easier.

This relationship also impacts on the value IA can add to the organization through reduced external audit fees (Al-Twaijry, Brierley & Gwilliam 2004; Zain, Subramaniam & Stewart 2006). Zain, Subramaniam and Stewart (2006) indicate that two strategies can be adopted by external auditors in gaining support from internal auditors. The first approach entails having internal auditors work as subordinates under the direct supervision of the external auditor. The second strategy to save time and effort by external auditors is to rely on the relevant work carried out by internal auditors.

Internal auditors and external auditors should be able to access each other's working papers, reports, plans and programmes to avoid any work duplication. Accordingly, the literature focuses on the need for co-operation and teamwork between internal and external auditors if internal auditing is to be effective (Al-Twaijry, Brierley & Gwilliam, 2004; Arena & Azzone, 2009; Goodwin, 2003). The work of internal and external auditors should be coordinated to avoid any work duplication which, in turn, increases the credibility of the internal audit department. Therefore, the IIA's Standards for Professional Practice of Internal Auditing (2050–Coordination) provide guidance pertaining to coordination with external auditors. Standard 2050 states: "The chief audit executive should share information and coordinate activities with other internal and external providers of relevant assurance and consulting services to ensure proper coverage and minimize duplication of efforts" (Institute of Internal Auditors 2011d).

In other words, the purpose of coordination and co-operation between the internal and external auditor is to ensure adequate total audit coverage and minimize duplication of effort. Including the external auditor in the planning process of the internal auditor is best practice for internal auditors. For example, sending the internal audit plan to the external auditor for her/his perusal may provide ideas and advice on ways to improve and develop IA plans. In addition, external auditors should make recommendations that help improve IA. Furthermore, the co-operation and co-ordination between external auditors and external auditors should be supported and managed by the IA director and the highest management level.

2.5 Management Support

Management support is important for internal audit's role in governance, control and risk management as these impacts organizational processes. Low support for internal audit in the public sector was reported in a study of internal audit function in South African public sector (Schyf, 2000). The study suggests that the perception of internal audit function in an organization depends on the support the function receives from top management, appreciation of internal audit role by other organizational participants, funding, understanding regulations governing internal audit activities, and level of overlap between internal and external audit. In summary, the organizational context where an internal auditor operates determines how effective internal audit activities would contribute to the performance of the Organization (Okike, 2004). An organizational context represents an atmosphere created by top management to portray the internal audit function as an important activity whose recommendations and suggestions are treated promptly in the overall interest of the organization. Top management support of internal audit positions the function for better effectiveness (Cohen & Sayag, 2010). Also, top management support sets the ethical tone in an organization and sets the stage for internal audit function to contribute to the performance of the organization (Schwartz, Dunfee, & Kline, 2005).

Several recent studies have demonstrated that support for internal auditing by top management is an important determinant of its effectiveness (Jill 1998; Schwartz, Dunfee and Kline 2005). Funding, of course, is an important measure of such support: IA departments must have the resources needed to hire the right number of high-quality staff, to keep up-to-date in training and development, to acquire and maintain physical resources like computers, and so on. In a survey of Australian internal auditors, Leung, Cooper and Robertson (2004) found that chief audit executives are generally very positive about the performance of IA. They see themselves as a key part of the management team, and believe they can influence decisions; maintain a sufficient level of objectivity, integrity and competence in their jobs; and provide good support for their own staff. More importantly, they view the support of upper management as a key factor in ensuring the effectiveness of their role. Sarens and De Beelde (2006) have reported on the development of a similar attitude in Belgium, where as a consequence of recent changes in national and international corporate governance regulations, the internal audit function now gets more attention and support from boards and managers.

As discussed above, the relationship between the internal audit staff and the company’s management is clearly important in determining the independence and objectivity of the internal auditor (Al-Twaijry et al. 2003; IIA 2006). Management support for IA is thus important both in the abstract (managers must see the activity of the audit department as legitimate) and in ensuring that IA departments have the resources needed to do their jobs.

2.6 The independence of internal audit departments

Independence relates to internal auditors ability to undertake audits without any form of impediments and in a manner that is free of all forms of bias (Institute of Internal Auditors, 2012). This can be achieved through unrestricted access to all areas of review selected by internal audit. Objectivity describes internal audit maintaining an attitude devoid of any form of bias. Internal auditor's independence and objectivity are crucial elements in portraying the function as effective and allow the execution of their roles in a manner that enables the organization to achieve its objectives (Christopher, Sarens, & Leung, 2009). Stewart and Subramaniam (2010) summarized independence as "state of affairs" and objectivity as "state of mind" which enables the internal auditor act in an unbiased attitude in the discharge of duties (p. 330). Internal auditors in Nigerian local governments face some potential threats to their independence and objectivity especially because they are employees and their recruitment and subsequent deployment are done in line with civil service rules. The Civil Service Commission is responsible for employment and transfers and this has a potential impact on internal audit status within the organization.

The quality of internal audit function is important in how well the function performs its role in governance, control and risk management. Prawitt et al. (2009) examined the relationship between the quality of internal audit and earnings management through the responses of chief audit executives in 216 public companies in the US from 2000 to 2005. Their study found a significant negative relationship between internal audit quality and abnormal accruals. They further concluded that the quality of internal audit is important in limiting management opportunistic behavior which affects financial reporting quality and performance information.

Also, Lin, Pizzini, Vargus, and Bardhan (2011) in their study of internal audit role in material weakness disclosure, operationalized internal audit quality based on Prawitt et al. (2009) specification and on professional guidance of the Institute of Internal Auditors (IIA) and the America Institute of Certified Public Accountants (AICPA). The study found measures of internal audit quality not to be significantly associated with the disclosure of material weaknesses. They further assert that the presence of high quality internal audit enables the resolving of issues relating to material weakness before it becomes public, thus helping produce reliable information that portrays the correct financial position of the business.

Similarly, the presence of high quality internal audit can improve financial reporting and the state of performance in the local government and curb the ability of administrators to window dress financial reports. Furthermore, Ege (2014) carried out a study to examine if internal audit quality can prevent misleading financial reporting, bribery and other unethical practices using responses from chief audit executives of 617 firms in the US. Their study reported a negative relationship between quality of internal audit and the management misconduct. This means that a high quality internal audit is capable of preventing acts that affect the performance of the organization. Similarly, given the occurrence of wide spread governance failures in the Nigerian local government, it therefore implies that the presence of a high quality internal audit can affect the performance of local government by deterring unethical practices that promote wastage of resources and other corrupt practices.

Also, internal audit quality engenders transparency through the mechanism of monitoring. However, Davidson, Goodwin-Stewart, and Kent (2005) found no such evidence that the presence of internal audit could be associated with lower earnings management. Their study used a sample of 434 quoted companies on Australian Stock

Exchange and information for analysis were mainly extracted from a single year annual report of the sampled companies. Their findings suggest that having an internal audit may not deter management from engaging in acts that are detrimental to reliable financial reporting of an organization. This finding is unexpected and contrast earlier studies that have been highlighted which generally allude to the importance of internal audit quality in curbing practices that diminish organizational progress. Also, their study did not emphasize the quality of internal audit. Furthermore, internal auditors are employees and management may ignore recommendations and override controls. The quality of internal audit can therefore affect how much the function could contribute to organizational performance.

A study of an organization's most influential factors on the quality of information system ranked the competence of the internal auditor as paramount while independence was least (Wright & Capps III, 2012). In another study, internal audit quality was found to be significantly related to negative abnormal accruals, indicating that internal audit quality may help minimize opportunistic behaviour and reduce earnings management within an organization (Prawitt et al., 2009). Competence indicates the educational qualifications, professional certification and professional experience of internal audit staff (Zain, Subramaniam, & Stewart, 2006). The more competent the internal audit, the more likely the function can assess factors which indicate management bias or risks of opportunism and serve as safeguards to mitigate the threat (Prawitt et al., 2009). This factor is also considered when the external auditor decides to make decisions on relying on the work of internal audit (Bame-aldred et al., 2013). Competence affects the quality of work of internal auditors. Hence, the quality of output of internal auditors affects organizational processes and how the function is perceived within the organization.

Independence relates to internal auditors ability to undertake audits without any hindrance and in a manner that is free of all forms of bias which allows them to make right conclusions (Institute of Internal Auditors, 2012). This is achieved by the head of internal audit's unrestricted access to all aspects of the organization. Objectivity describes internal audit maintaining an attitude devoid of any form of bias. Internal auditor's independence and objectivity are crucial elements in portraying the function as effective and allows the execution of their roles in a manner that enables the organization achieve its objectives (Christopher, Sarens, & Leung, 2009). Stewart and Subramaniam (2010) summarized independence as "state of affairs" and objectivity as "state of mind" which enables the internal auditor act in an unbiased attitude in the discharge of duties (p. 330). Internal auditors in Nigerian local governments face some potential threats to their independence and objectivity especially because they are employees and their recruitment and subsequent deployment are done in line with civil service rules. The Civil Service Commission is responsible for employing and transfers and this has potential impacts on internal audit status within the organization.

Goodwin and Yeo (2001) studied the influence of internal audit use as training ground on internal audit independence and objectivity using a sample of 65 internal auditors in Singapore. Their study found the practice to be detrimental to internal audit independence and objectivity especially where an auditee could become an internal auditor's boss. Also, Arena, Arnaboldi, and Azzone (2006), in a multiple case study of six companies in Italy, found two of the six companies studied used internal audit as training ground and management sees nothing wrong. Similar findings were reported by Sarens and Beelde (2006b). In terms of transfers, a study of 34 chief audit executives in Australia found that internal audit staff was frequently transferred out to higher Proceedings of the International Conference on Accounting Studies (ICAS) positions of management and in most of the reported cases staff spent less than a year in internal audit (Christopher et al., 2009). This scenario applies to internal auditors in the of local government service commission in Nigeria as internal auditors are often transferred out to occupy other finance functions outside audit. This has severe implications on the objectivity and independence of the internal audit function as Chadwick (1995) suggest that the internal auditor may not take a firm stand on critical issues in a bid to maintain relationships that can be rewarding to his future career. Also, using internal audit function as training ground presents the function as less objective before the external auditor and limits the level of reliance on the work of the internal auditor (Messier, Reynolds, Simon, & Wood, 2011). Furthermore, the organizational status of the chief internal auditor affects the effectiveness of the function. Although the Financial Memoranda (1999) that guides accounting related matters at the local governments in Nigeria provides for the chief internal auditor's reporting directly to the local government Chair, yet reservations have been expressed regarding internal audit independence and objectivity. Onatuyeh and Aniefor (2013) argue that internal auditors in the Nigerian public sector may not always be objective and independent because of the prescribed reporting relationship to council chairmen who are elected persons with varying interest and are subject to a wide range of interference. Van Peursem (2004) asserts that the internal auditor tends to align with any stance in order to protect the interest of his employer and is disinclined to take an opposite action when it concerns management. This is particularly disturbing as the function is expected to be independent and objective in the discharge of its roles. The lack of independence and objectivity can affect auditees' perception effectiveness of the function, especially when issues involving management occur and internal audit is unable to take a firm stance.

Arena, Arnaboldi, and Azzone (2006), in a multiple case study of six companies in Italy, found two of the six companies studied used the internal audit as training ground and management sees nothing wrong. Similar findings were reported by Sarens and De Beelde (2006). In terms of transfers, a study of 34 chief audit executives in Australia found that internal audit staff was frequently transferred out to higher positions of management and in most of the reported cases staff spent less than a year in internal audit (Christopher et al., 2009). A similar situation applies to internal auditors in the of local government as local government civil service commission in Nigeria often transferred internal auditors out to occupy other functions outside audit. This has severe implications on the objectivity and independence of the internal audit function as Chadwick (1995) suggest that the internal auditor may not take a firm stand on critical issues in a bid to maintain relationships that can be rewarding to his future career. Although the Financial Memoranda (1999) for local governments in Nigeria provides for the chief internal auditor's reporting directly to the local government Chair, yet reservations have been expressed regarding internal audit independence and objectivity. Onatuyeh and Aniefor (2013) argue that internal auditors in the Nigerian public sector may not always be objective and independent because of the prescribed reporting relationship to council chairmen who are elected persons with varying interest and are subject to a wide range of interference. However, internal audit organizational independence is important to enable the function to contribute to the performance of an organization.

Although complete independence is literally impossible because internal auditors are organizational employees (Yee et *al.* 2008) and not outsiders (Gay & Simnett 2007), an independent frame of mind is essential (Christopher, Sarens & Leung 2009), and internal auditors should have the ability to make tough recommendations without fear or favor (Mihret, James & Mula 2010). Sawyer (1988) also argues that internal auditors should be independent in order to perform their duties and should state their opinions freely without any bias or restrictions. In other words, internal audit departments should be free to include any audit findings in their reports. Furthermore, the IA report should encompass any risks that may have a negative impact on the organization. According to ISPPIA (2060–Reporting to Senior Management and the Board), IA reports must include significant risk exposures and control issues, including fraud risks, fault, wrongdoing and errors (Institute of Internal Auditors 2011d). Thus, internal auditors must be alert to the existence of other significant risks. Therefore, internal audit reports may have a direct impact on the decisions and the action adopted by management (Bou-Raad 2000). In order to apply this concept here, internal auditors should be independent of those they report on.

However, to be independent to state their opinions freely without any bias or restrictions, IA directors should be appointed and removed by a higher management level in organizations. According to ISPPIA, independence is enhanced when the organization‘s board of directors concurs with the appointment or removal of the directors of internal audit departments (Institute of Internal Auditors 2011d). Read and Rama (2003) find that the independence and objectivity of the internal audit function is enhanced when the IA director does not have any fear about dismissal because of the actions taken by the internal audit department. Chapman (2001) comments that organizational independence refers to the placement of the IA function in the reporting structure so that it is free to determine the IA scope and perform IA work without interference.

Furthermore, the extent to which internal auditors have unfettered access to necessary information, people and records across the organization may impact on the desired level of independence. Al-Twaijry, Brierley and Gwilliam (2003) state that unrestricted access to documentation and unfettered powers of enquiry are important aspects of independence and IA effectiveness. In addition, Mihret and Yismaw (2007) indicate that, to achieve effective audit work, auditors are required to have full and unrestricted access to all activities and records and properties, and be provided with cooperation from the auditee. Furthermore, Joseph and Raghunandan's (1994) study suggests that an internal auditor's position within an organization is strengthened if internal auditors have unrestricted access to an effective audit committee.

2.7 Relationship between Internal Audit and Internal Control System

The responsibility for ensuring that internal control is established in the organization lies with management. The internal audit is supposed to be the custodian of internal control by providing assurance to the management that the organization has put in place adequate and effective internal control system, and must not hesitate to draw management's attention to lapses observed in the control. A good and viable internal control system increases operational efficiency, thereby making it more difficult for the preparation of fraud (Mayo, 1993). The International Auditing Guideline (IAG) 6, as cited in Dandago (2000:107) and (Daniel, 1999:33) defines internal control system as "the whole system of control, financial and otherwise, established by the management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records". This definition reveals that the internal control is established in order to enhance prudent management of resources and transparency in the accounting process. Also effective internal control requires; appropriate accounting procedure and system, division of duties i.e. separation of responsibilities, especially those of authorisation, regular verification of supervision of each person’s work by their superior officers.

Oshisami (1993:50) defines internal control system as “the managerial functions of defining and allocating responsibilities and identifying line of reporting that encompass all aspects of operations for the attainment of corporate objectives of an organization”.

The System of Auditing Procedure (SAP) 33 of the American Institute of Certified Accountants, as cited in Daniel (1999:43) defines internal control system as “the plan of organization and all of the coordinate methods and measures adopted within a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies”. The adherence to prescribed managerial policies in order to promote operational efficiency

Literature offered various models that aimed to enhance internal audit performance and thus to improved organizational performance. Among these models includes maturity model. The model was originally developed to enhance the development process of software but later was incorporated into the area of internal audit by Pitt. The model has five levels which are the foundation, emerging, established, embedded, and leading. The model promotes a continual process of internal auditing development through evolutionary levels rather than revolutionary improvement. However, the model is not comprehensive enough to discuss the required internal audit inputs, process, output and outcomes that can increase the internal audit performance. This leads to another model of internal auditing known as balanced scorecard model.

Balanced scorecard card was used to assess the internal audit department and auditors requirement and how to combine the two with organizational needs. Studies of Frigo and Callaghan, Savage, and Mintz are the typical examples of the studies that advocate this view in the literature. Later, provided a four levels balance scorecard namely budget input, professional practice, staffing input, and stakeholders to measure the internal audit performance. In this model, Pitt tried to identify some of the staffing and budgeting components of inputs and practice required to perform an internal audit. However, the model lacks a clear explanation of the process required, and what kind of output is expected, although the model provides some of the required inputs of the internal audit department as well as auditors.

Prior to the studies of Ridley and Chambers provided a model of internal auditing known as input, process, output model. They proposed the model to evaluate internal audit performance at different capacity in an organization. In reality, the model was built based on some certain processes of the internal audit activities. The major concerned of the model is to determine the resources needed, activities involved and the anticipated result of the activities performed. According to the essence of the model is to determine the planned input and actual input, the process involved and to forecast actual output and planned output. This model attempts to describe the input, process, and output of the internal audit required but does not mention the outcomes. In addition, the model does not comprehensively outline the required inputs, process and outputs categorically that can be considered to increase the performance of an internal auditing. Hence, this leads to a model known as program logic based model of internal audit conceptualized by Program logic-based model has been incorporated into the internal audit field by to determine the auditing department's needs in an organization that can facilitate its performance. The model was designed on four basic levels of input, activity, output, and outcome that can determine the need for the internal auditing efficiency in the organization. Pitt stated that the main objective of the model is to highlight some key areas that are related to the performance of the internal audit and what is expected at each level of the function of internal auditing services. Pitt's model is more comprehensive than the previous models by clearly explaining the anticipated components at each level of the model. However, from the literature of internal audit, other important variables were discussed as the essential components that can determine the internal audit performance other than those mentioned by. In this regard, this study examines the variables from the literature and the prior models by integrating the model's components with the highlighted variables to form a new model called Integrated Internal Audit Model for tax administration. This study used performance indicators (PI) theory to support the model development and in evaluating the performance of the internal audit. Performance indicators theory is widely used and most appropriate to measure the performance in public sector organization. According to James et al., performance evaluation is a concept about auditing, measuring, reviewing and improving organizational performance efficiency that can lead to the accomplishment of goals and objectives of an organization. Kennerley and Neely argued that the objective of performance measurement is to determine and establish the impact at each level of the performance within the different unit of functions in an organization.

Conversely, there is no universally accepted measure to evaluate the performance of an organization. Nonetheless, the used of an economy, efficiency and effectiveness (3Es) concept are practised especially in public sector organization. Economy deals with the required resources to be used at the first level, process and output are to be determined at the efficiency level in explaining how the required inputs were transformed and effectiveness is about outcome impact of the output. In this regard, the performance of internal audit is evaluated based on this 3Es. Therefore, performance theory was used to guide the development of the Integrated Internal Audit Model for tax administration. In addition, to ensure adequate efficiency of the internal audit performance is achieved, the four levels of input, process, output, and outcome must be fully observed by internal auditing in tax administration.

The above definition of internal control brings out, in clear terms that the internal control extends beyond financial and accounting matters, on the custody of the organization's assets. In its broad sense, it includes all the controls operated by an organization to facilitate its activities and improve its efficiency and productivity. It also includes all administrative controls designed to effect, supervise and check management policies and strategies within an organization such as organization and method, work study, production control, marketing, selling and distribution, financial and accounting control.

The main objective of internal auditing is to provide assurance to the management that the internal control system in the organization is sound in design and effective in operation. It also helps to achieve value for money (Momoh, 2005).

Okwoli (2004) also shares the view that the present requirement of internal audit is not the detection and prevention of fraud and errors, but reviewing the system of internal control. This is because in public organizations, internal audit is meant to carry out an independent appraisal of the effectiveness of internal controls and other financial controls operating in such ministry.

Normanton, as cited in Daniel (1999), emphasizes the importance of internal audit by saying that “without audit, no accountability; without accountability, no control; without audit, no efficiency; without efficiency, no development. The growth of any economy depends to a large extent on the system of control adopted by the government and the success and sustenance of the internal control lies on internal auditing. The above observation underscores the importance of internal audit in every government organization.

2.10 Theoretical Framework

In order to provide theoretical support to the concepts and variables of this study, agency theory is reviewed.

2.10.1 Agency Theory

Agency theory is based on the idea of separation of ownership and management (principal and agent). The origins of the agency theory can be traced back to Smith (1776) and his discussion of the problem of the separation of ownership and control. He suggested that managers of other people’s money cannot be expected to watch over it with the same concerned watchfulness that one would expect from owners, and that negligence and profusion, therefore, must always prevail, more or less, in the management of the affairs of such a company (Smith, 1776). Furthermore, agency theory was exposited by Alchian and Demsetz (1972) and further developed by Jensen and Meckling (1976).

Jensen and Meckling (1976) defined agency relationship as a contract under which the principal engage another person or the agent to perform some service on their behalf which involves delegating some decision making authority to the agent. Furthermore, it is concerned with ensuring that agents act in the interest of the principals.

Therefore, the existence of the audit committees and the external and internal auditors will help the organization in enhancing their performance, and also will ensure that the management carries out its plans according to procedures (Adams, 1994). Peursem and Pumphrey (2005) considered internal auditors as agents and monitors for a variety of the internal audit users that include the board, audit committee and senior management. Agency problems could occur when the board or its audit committee is inefficient, and hence, the senior management is likely to be a powerful influence over the internal audit. This complex web creates an inherent dilemma for the internal audit: how can it carry out their monitoring role over management if it is ineffective itself?

Internal auditors often are employed by senior management, but at the same time, they are also agents of the board and audit committee who trust in the internal auditors' ability to evaluate senior management's works. However, internal auditors may have varying motives to act against the board of directors' interests and its audit committee and these motives include financial rewards from managers, personal relationships with them, and the power of senior management in shaping the future position of internal auditors and their salaries. In such a work environment, internal auditors as agents may have an incentive to be bias of information flows, which leads to new concerns of the board and audit committee about their trust on the internal auditors' objectivity, and preventing such threats of objectivity becomes necessary for the board and its audit committee.

Internal auditors as agents must perform audit processes at the professional level requiring education and professional certifications, experience, and other competencies needed to perform their responsibilities perfectly. Having internal auditors with such requirements and the existence of training programs for internal auditors, would increase the confidence level of the board and audit committee in the internal auditor competence. At the same time, internal auditors, by proving their duties in accordance with the professional level, can refute charges of neglecting their duties. This study draws on the resource based view that resources are central to the competitive advantage of an organization (Barney, 1991; Grant, 1991). These resources include tangible and intangible resources. Tangible resources are physical resources that can easily be perceived and include: capital, financial, property, and plant. On the other hand, intangible resources are not easily perceived and according to Barney (1991), intangible resources are not easy to replicate because of their unique characteristics and are capable of helping an organization achieve sustained performance (Roberts & Dowling, 2002). Intangible resources include an organization's reputation, skills, training, experience of workers, and relationships (formal and informal) within and outside the organization (Galbreath, 2005). Thus, internal audit characteristics, internal audit relationship with management, and collaboration with external audit are regarded as intangible resources capable of generating improved performance for local governments in Nigeria. Also, these relationships allude to the value-adding role of internal audit when properly harnessed and given the attention it deserves.

Internal audit characteristics are those features which project the function as effective. These characteristics relate to skills, education, experience, professional certification, quality of internal audit work, independence, and training (Zain, Subramaniam, & Stewart, 2006). Some of these characteristics are personal to the internal auditor while others are garnered over their years of experience in auditing. For example, experience, training, and certification are acquired over time. These characteristics are dynamic, and such, are in a state of continuous improvement over the career of an internal auditor. These characteristics enable the internal audit function to add value to an organization through their unique part in governance, risk, and control. Also, these characteristics determine the extent and perception of the quality of an internal audit function (Ege, 2015; Hutchinson & Zain, 2009). A number of studies have found significant relationships between these characteristics and effectiveness of internal audit (Arena & Azzone, 2009; Cohen & Sayag, 2010). Some have related the existence of the function and its work of continuous auditing to performance (Aikins, 2011; Carmeli & Tishler, 2004). Others have attributed the lack of these characteristics to corruption, mismanagement and general ineffectiveness of internal controls in the public sector (Emmanuel et al., 2013; Salawu & Agbeja, 2007). However, studies linking these characteristics directly to performance in the public sector are limited. Therefore, from the resource-based perspective, internal audit skills, education experience, independence, training, professional certification and the quality of audits are unique resources that contribute to improvement in the operations of an organization. Hence, this study proposes that internal audit characteristics have a significant relationship with performance of local governments.

Collaboration refers to a relationship where internal and external audit cooperate during audits by giving each other access to working papers and the external auditor relies on the work of the internal auditor (Brody, Golen, & Reckers, 1998; Zain et al., 2006). It is a mutual relationship which fosters efficiency in the audit process and creates value for the organization. Studies have shown that the external auditor reliance on the internal audit can lead to audit fees reduction and minimized audit lag (Abbott, Parker, & Peters, 2012; Wood, 2004). This collaboration has also been shown to decrease earnings management and improve financial reporting quality (Prawitt, Smith, & Wood, 2009). Also, a positive relationship was reported between internal audit contribution to financial statement audit and a close relationship between internal and external audit (Zain et al., 2006). In addition, observations and recommendations during the audit are easily taken up with management, and organizational processes are improved for better performance. In view of this, collaboration between internal and external audit has a significant influence on the performance of local governments. In order to be effective, internal auditors are expected to have a working relationship with management and audited. This relationship should be characterized by mutual respect and congruence of goals in terms of enhancing the operations of the organization. According to IIA's competency framework, the internal audit is expected to use persuasion, collaboration and communication to secure and create an atmosphere conducive for audits (Institute of Internal Auditors, 2013). This requires the building of relationships within the organization with management and other auditors. Such relationships should build trust and reduce resistance to audit while enhancing the audit process and value added to the organization (Chambers & McDonald, 2013). Also, another study suggested that to be effective, internal audit relationship with management is important (Mihret & Yismaw, 2007). The internal audit does not operate in a vacuum, management and auditees' cooperation is required for the activities of the function to result in enhanced processes for the organization. Thus, an atmosphere characterized by low support and suspicion constraints internal audit's ability to contribute to the performance of the organization. An effective relationship between internal audit and management includes internal audit access to information, appreciation of internal audit activities, implementing internal audit's recommendations and observations, and ensuring adequate preparations for audit (Elliott, Dawson, & Edwards, 2007). Ahmad, Othman, Othman, and Jusoff (2009) found that a supportive relationship from management ranked the second most influential factor after the quality of internal audit in determining the effectiveness of internal audit in the Malaysian public sector. Therefore, internal audit and management relationship has a significant influence on the performance of local governments.

Internal auditors, as agents of the organization members, need their support. The existence of an effective audit committee in the organization enhances internal audit independence and also, reduces senior management interferences either in internal audit scope or its performance. For example, the problem related to the ability of senior management’s influence over the future employment and salaries of internal auditors will be resolved by having an audit committee as the absolute authority for appointment and removal of the chief audit executive. Another clear example of organization members’ support occurs when senior management asks all departments to accomplish the internal audit recommendations.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter discusses how data was collected from the respondents in order to achieve the objectives of this study. The chapter covers research design, population of the study, sample size, method of data collection and techniques for data analysis.

3.2 Research Design

In order to generalize from a sample to a population so that inferences can be made from the population. This study used survey design. Due to the nature of the data that was collected, cross-sectional survey design was used.

3.3 Population of the Study

The population of this study consists of all the management staff and revenue officers of Taraba State Board of Internal Revenue.

Table 3.1 Population of the study.

S/N	Category	Number of Staff
1.	Executive Chairman	1
2.	Directors	10
3.	Head of Departments	12
4.	Other Senior Staff	30
	Tota9l	**53**

Source: T.S.B.I.R 2018

3.4 Sample Size of the Study

The sample size for this study consists of all the management staff and revenue officers of Taraba State Board of Internal Revenue.

Table 3.2 sample size of the Study

S/N	**Category**	**Number of Staff**
1.	Executive Chairman	1
2.	Directors	10
3.	Head of Departments	12
4.	Other Senior Staff	20
	Total	**43**

Source: From Table 3.1 above

3.5 Method of Data Collection

This study used primary data. The study data was collected from respondents using questionnaire. Thus, four -point type rating scale, ranging from strongly agree to strongly disagree will be used in measuring the responses of the entire questions. This is because several researchers has make used of this scale due to its easier for respondents to understand, hence, responses from four point scale are probably to be reliable (Chelimo & Kariuki, 2013; Theofanis, Drogalas & Giovanis, 2011).

3.5.1 Questionnaire Administration

A questionnaire refers to questions printed or typed in a definite order on a form or sets of forms where the respondents have to answer the questions on their own (Kothari, 2004). The researcher prepared the questionnaire, with structured and unstructured questions. Structured questionnaires are those questionnaires in which there are definite, concrete and pre-determined questions. When characteristics are not present in a questionnaire, it can be termed as unstructured (Saunders and Thornhill, 2009). This technique is chosen because it does not exert pressure to the respondents; this means respondents were free and comfortable. It comprised both open ended and close ended questions.

In designing the questionnaire, the researcher followed the following procedure: Deciding what information should be sought; Deciding what type of questionnaire should be used; First draft of the questionnaire; and editing the questionnaire and specifying procedures for its use. Consequently, care was taken to ensure that the information collected on implication of adequate motivation and workers' productivity, for example was relevant to the subject under consideration and that the response received to each question was the type elicited.

The scale of response on the questionnaire was from strongly Agree, Agree, Undecided, Disagree to Strongly Disagree. The calibrations for the positive items will score 1, 2, 3, 4, and 5. The different motivational factors were aggregate and the total for each motivational factor was found. Items on the dependent variables (work approach) were also aggregate.

3.6 Techniques for Data Analysis

This study was analyzed the data that was generated using descriptive statistics (mean, standard deviation, maximum and minimum), correlation analysis and multiple regressions. The Statistical Package for Social Sciences (SPSS) version 20 was used for the data analysis. In order to assess the scale reliability and consistency of the instrument the Cronbach's Alpha (α) analysis was conducted. In order to determine the relationship among the variables and to test the research hypotheses, correlation and multiple regression analysis (OLS) was used respectively.

3.7 Model Specification

In order to test the unique impact of the independent variables on the dependent variable, the following regression model was used:

$$IAEffect = \alpha + \beta_1 COMP + \beta_3 RINEX + \beta_4 MSUP + \beta_5 IND + e_i$$

Where:

IAEffect = Internal audit effectiveness

COMP = competence of internal audit unit

RINEX = relationship between internal and external auditors

MSUP = management support to internal audit

IND = independence of internal audit

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter analyses and interprets the results obtained for the study. The chapter begins with descriptive statistics and correlation matrix. It then presents the regression results and discusses the findings in light of previous studies. The chapter concludes with highlight of the policy implications of the findings.

4.2 Descriptive Statistics

The summary of the descriptive statistics of the variables are presented in table.

Table 4.1 Descriptive Statistics

Variables	Min.	Max.	Mean	Std. Dev.
IAE	-5.265	14.573	0.2364194	1.268423
COMP	0.043	19.6572	6.987807	7.151588
RINEX	0.030	72.755	8.203064	10.15754
IND	0.000	30.648	0.8527	2.607513
MSUP	0.110	56.932	1.747409	6.034367

Source: SPSS version 20 Output, 2018

Table 4.1 presents the descriptive statistics for the dependent and explanatory variables. From the table, internal audit effectiveness has minimum and maximum values of -5.265 and 14.573 respectively and the mean value of 0.2364 as well as the standard deviation value of 1.2684. The standard deviation of 1.2684 signifies that the data deviate from the mean value from both sides by 1.2684 implying that there is a wide dispersion of the data from the mean because standard deviation is higher than the mean value. The table also shows that the mean of the internal audit competency of the board is 6.9878 with standard deviation of 7.1516, and minimum and maximum values of 0.043 and 19.6572 respectively. This implies that the internal audit effectiveness in terms of competence of internal audit unit is on average 6.9878, and the standard deviation value indicates that the competence of internal audit unit of the board deviates from the mean value from both sides by 7.1516, implying that there is significant dispersion of the data from the mean because the standard deviation is higher.

Moreover, the table shows that the mean of the relationship between internal audit and external auditors is 8.2031 with standard deviation of 10.1575. The minimum and maximum values are 0.030 and 72.755 respectively. This implies that relationship between internal audit and external auditors on the board is on average 8.2031, and the standard deviation value indicates that the value deviates from the mean from both sides by 10.1575, implying that there is significant dispersion of the data from the mean because the standard deviation is larger.

Furthermore, the table shows that the mean of the management support to internal audit is 0.8527 with standard deviation of 2.6075. The minimum and maximum values are of 0.000 and 30.648 respectively. This implies that management support to internal audit is on average 0.8527. The standard deviation indicates that the value of the board ‟ management support to internal audit deviates from the mean value from both sides by 2.6075. This implies that there is significant dispersion of the data from the mean because the standard deviation is higher.

Finally, the table portrays that the independence of internal audit has an average value of 1.7474 with standard deviation of 6.0344. The minimum and maximum values are 0.011 61 and 56.932 respectively. The standard deviation indicates that the value of independence of internal audit deviates from the mean value from both sides by 6.0344. This further implies that there is widely dispersed data from the mean because the standard deviation is large.

4.3 Correlation Matrix

The correlation matrix explains the degree of relationship between the dependent and independent variables of the study as well as the independent variables among themselves. The summary of the associations among the variables of the study is presented.

4.2 Correlation Matrix

Variables	IAE	COMP	RINEX	MSUPIND
IAE	1			
COMP	0.0191	1		
	(0.7958)			
RINEX	0.2323***	-0.27766***	1	
	(0.0014)	(0.0001)		
MSUP	0.0770	0.0350	0.4854***	1
	(0.2961)	(0.6351)	(0.0000)	
IND	0.5110***	0.2065***	0.5706***	0.4732***
	(0.0000)	(0.0047)	(0.0000)	(0.0000)

SOURCE: SPSS version 20 Output, 2018

Table 4.2 reveals that audit competence and the relationship between internal audit and external audit are positively and strongly correlated with internal audit effectiveness. The values of 0.2323 and 0.5110 of the variables indicated p-values of 0.0014 and 0.0000 that are all significant at 1% respectively. In contrast, internal audit competence and management support to internal audit respectively have positive relationship with Internal audit effectiveness that is not statistically significant.

The relationship of the independent variables among themselves indicates that relationship between internal and external auditors and competence of internal audit unit are negatively correlated among themselves. On the other hand, the relationship between independence of internal audit and competence of internal audit unit and independence of internal audit and management support to internal audit are positively related among themselves. Although some of the variables exhibited strong association, the overall relationship for the independent variables among themselves is not significant, though this may not be enough to surmise that multicollinearity exists among the explanatory or exogenous variables of the study unless the variance inflation factor and tolerance values are comparatively beyond the established rule of thumb. Thus, the tolerance value and variance inflation factor (VIF) are advanced measures for assessing harmful multicollinearity among explanatory variables. The variance inflation factor and tolerance values are determined with the use of SPSS version 20 and were found to be concurrently smaller than ten and one respectively, indicating the absence of harmful multicollinearity. This therefore, indicates the adequacy of fitting the model of the study with four independent variables.

4.4 Analysis of Regression Results and Discussion of Findings

In view of the nature of the data, both fixed effect and random effect models were tested. Hausman specification test was then used to decide between the two results. The result from the Hausman test revealed a Chi2 value of 34.34 with p-value of 0.000 that is statistically significant at 1%. This implies that the test considered the fixed effect as the most appropriate estimator. The full results of the fixed and random effect as well as Hausman test are attached as in view of this, the fixed effect model was used for analysis.

Table 4.3 presents the summary of the fixed effect multiple regression results:

Table 4.3 Regression Results

Variable	Coefficient	T-Value	P-Value	Tolerance	VIF
Constant	0.5994104	2.58	0.011		
COMP	-0.0550336	-2.19	0.030	0.721016	1.39
RINEX	-0.0206729	-0.94	0.348	0.465383	2.15
MSUP	-0.1892773	-5.42	0.0000	0.701805	1.42
IND	0.2017568	7.89	0.0000	0.507822	1.97
R^2	0.4995				
Wald Chi^2	37.67				
Prob. Chi^2	0.0000		0.0000		

Source: SPSS version 20 Output, 2018

Table 4.3 shows that the functional relationship between the dependent and independent variables is:

IAE = 0.5994 - 0.0550COMP -0.0207RINEX - 0.1893 MSUP + 0.2018 IND

The table showed that competence of internal audit unit has negative significant impact on the internal generated revenue in Taraba state board of internal revenue. This can be observed from the value of beta the coefficient of -0.0550336 with p-value of 0.030 indicating that the p-value is statistically significant at 5%. This implies that competence of internal audit unit as one of the proxies of internal generated revenue that significantly affect the internal audit effectiveness. The results serves as a basis for rejecting the first hypothesis, which states that Competence of the internal audit unit does not influences perceive IGR in Taraba State Board of Internal Revenue.

The table also revealed that relationship between internal and external auditors has negative insignificant internal generated revenue in Taraba state board of internal revenue. This can be seen from the value of the beta coefficient of -0.0206729 with p-value of 0.348 indicating that the p-value is not statistically significant. This implies that relationship between internal and external auditors does not have significant effect on the internal generated revenue on Taraba state board of internal revenue. The result could not provide sufficient evidence to reject the second hypothesis, which states that the relationship between internal and external auditors does not influences perceived IGR in Taraba State Board of Internal Revenue.

Furthermore, the result showed that management support to internal audit is negatively and significantly correlated with the internal generated revenue. The beta coefficient of the variable is -0.1892773 and the p-value is 0.000 which is significant at 1% level of significance. This indicates that management support to internal audit has negative significant impact on internal revenue generated revenue. The implication of this finding is that the lower the management support to internal audit in the board affect the internal generated revenue in the board. The result provided a basis for rejecting the third hypothesis, which states that Management support for internal audit does not have significant impact on perceived IGR in Taraba State Board of Internal Revenue.

Finally, the table revealed a value of beta coefficient of 0.2017568 with p-value of 0.000 for independence of internal audit. This signifies that independence of internal audit has strong positive influence on the internal generated revenue at 1% level of significance. The result implies that independence of internal audit increase the internal generated revenue in Taraba state board of internal revenue. The result provides evidence of rejecting the fourth hypothesis that assumed Independence of the internal audit unit does not have significant influence on perceived IGR in Taraba State Board of Internal Revenue.

The combined and overall effect of the predictor variables on the explained variable showed that the model is adequate and free from misspecification. The Wald Chi2 value of 37.67 with Prob. Chi2 of 0.0000 which is significant at 1% level of significance shows that the model is well fitted with the variables of the study. Furthermore, the coefficient of determination R2 which stands at 50% indicates the proportion of the total variation in dependent variable (internal audit effectiveness) that is explained by the independent variables. This signifies that 50% of the total variation in internally generated revenue is caused by the combined effect of the ratios of competence of internal audit unit, relationship between internal and external auditors, management support to internal audit and independence of internal audit; while the remaining 50% is caused by other factors not captured in the model of the study.

Table 4.4 Summary of Pooled OLS, Fixed and Random effects Models

Variable	Pooled OLS	Fixed	Random
COMP	-0.0266**	-0.0550**	-0.0340**
RINEX	-0.0142	-0.2067	-0.0158
MSUP	-0.0938***	-0.1893***	-0.1469***
IND	0.1468***	0.2018***	0.1724***
CONS	0.3624	0.5994	0.4269
CHI^2			119.2213
N	250	250	250

SPSS version 20 Output, 2018

From table 4.4 both MSUP and IND turned a p-value that is statistically significant at 1% for all the three models. In addition, the models returned p-values that are significant at 1% with respect to COMP. This implies that though the R2 values of pooled OLS and fixed model are different, in terms of level of significance of the p-values, the models are very similar.

4.5 Policy Implications of the Research Findings

Many States in Nigeria are currently making efforts to diversify and increase internally generated revenue. Measures range from extensive tax policy reforms to administrative measures like improved remittances and recording. Some of these measures which cut across the States can be summarized as follows:

The introduction of cutting-edge technology which simplified revenue collection and tax administration through: Elimination of sources of revenue leakages, Creation and improvement of tax databases, Generation of projected revenue from different sources, Generation of reports showing revenue distribution. Institutionalization of far-reaching tax reforms with formulation of IGR strategies and action plans which resulted in improvements in tax collection. Strengthened land administration, setting up of better functioning tax institutions potentially opening up opportunities for more direct appropriation of revenue, the establishment of autonomy for States‟ Internal revenue Service. Improved Tax planning, professionalism, and staff morale rapidly improved tax collection and tax compliance among large companies, Outreach and monitoring capacities of Revenue staff who regularly visit formal businesses and informal sector organizations to identify potential taxpayers, explain the tax payment process, and check for payment certificates, Improvement on compliance and strong commitment to enforcement, including sealing delinquent businesses, Strong commitment on the part of governments to improve the tax environment through improvement in collection and remittance infrastructures, improvement in the collection processes and better engagement of the taxpayer through town hall meetings, education and enlightenment.

Introduction of Hotels and Events Centers Occupancy and Restaurants Consumption Law thereby introducing consumption tax on hospitality industry goods and services.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

This study was conducted to examine the effect of internal audit effectiveness on perceived internally generated revenue in Taraba State Board of Internal Revenue. The study was divided into five chapters. The first chapter discussed the background issues, which led to developing four objectives and formulating four hypotheses for the research with a scope covering the perception of the respondents will be based on what has transpired over several periods regarding their years in service. The review of conceptual literature and empirical studies on internally generated revenues and effect of internal audit effectiveness was carried out. Also, the concept and measurement of internally generated revenue was discussed as well as the review of the relationship between each of the proxies of the independent variables and the dependent variable. The theoretical framework that underpinned the study was also discussed. Correlation research design was used in measuring the relationship among the variables of the study. Data was collected from primary source through the questionnaire out of the population of this study consists of all the management staff and revenue officers of Taraba State Board of Internal Revenue. Multiple regression was used to test the four hypotheses formulated by the study. The result of the descriptive statistics, correlation matrix and regression were presented, analyses and discussed in chapter four. The regression result could not provide sufficient evidence for the rejection of hypotheses two that hypothesized that relationship between internal and external auditors unit ratios have no significant internally generated revenue in Taraba state board of internal revenue. The result however provided sufficient evidence for rejecting the first, third and fourth hypotheses on competence of internal audit unit, management support to internal audit and independence of internal audit ratios. Finally, the chapter discussed the findings of the research in light of previous studies and highlighted the policy implications of the findings.

5.2 Conclusion

As a corollary of the discussion and analysis in the preceding chapter, the study concludes as follows:

Firstly, the study found a negative significant association between competence of internal audit unit ratio and internally generated revenue. It is therefore concluded that competence of internal audit unit is one of the variable of Internal audit effectiveness that contribute in influencing internally generated revenue of Taraba state board of internal revenue.

In addition, the study found a negative insignificant association between relationship between internal and external auditors and internally generated revenue in Taraba state board on internal revenue. Thus, the study concluded that relationship between internal and external auditors is not one of the factors that influence the internally generated revenue in Taraba state board of internal revenue.

Furthermore, management support to internal audit was found to have negative significant impact on internally generated revenue in Taraba state board of internal revenue. The study therefore, concluded that management support to internal audit is one of the strong determinants of the internally generated revenue in Taraba state board of internal revenue. More so, the study found a positive significant relationship between the independence of internal audit and internally generated revenue in Taraba state board of internal revenue. Thus, the study concluded that independence of internal audit is amongst the determinants of the internally generated revenue in Taraba state board of internal revenue.

5.3 Recommendations

In line with the findings of the study, the following recommendations are made:

(i) The management of Taraba state board of internal revenue should work very hard to optimize the effect of internal audit effectiveness of the Taraba state board of internal revenue in order to increase the internally generated revenue. They can do that through ensuring that their effect of internal audit effectiveness.

(ii) The Management of Taraba state board of internal revenue should increase their commitments into independence of internal audit in order to improve internally generated revenue from the operation of the board. This is in line with the findings of this study that the independence of internal audit influences their internally generated revenue positively.

(iii) The Management of Taraba state board of internal revenue should be concerned about the level of their relationship between internal and external auditors, for better internally generated revenue. This is because the findings of this study revealed a negative insignificant relationship the variables and internally generated revenue.

(iv) The board advisory should also advice for the increase the level of competence of internal audit unit and management support to internal audit in order to improve the internally generated revenue. This is in line with the findings of this study that revealed a negative significant impact of competence of internal audit unit and management support to internal audit on internally generated revenue in Taraba state board of internal revenue.

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APPENDIX I

INTRODUCTORY LETTER

Department of Accountancy,

School of Management and

Information Technology, Modibbo

Adama University of Technology,

Yola. Adamawa State,

P.M.B 2076.

Dear Respondent,

I am a student of the above mentioned institution, pursuing a Master's Degree in Treasury and Financial Management. I am conducting a research on **Internal Audit Effectiveness and Perceived Internally Generated Revenue in Taraba State Board of Internal Revenue.** As a partial fulfilment of the requirements for the Master degree award.

I kindly request you to assist in filling the questionnaire attached by ticking (√) in the appropriate answers that strongly agree, agree, disagree and strongly disagree or giving suggestions/comments where applicable in the spaces provided. Information gathered will be treated with utmost confidentiality and will be used for no other purpose other than the intended. A copy of the final report containing the study findings will be made available to you upon request. Your participation in this survey is highly appreciated.

Yours Sincerely

………………………………..

BALA, Kamaludeen Zakari

(ACC/MTFM/16/0090)

QUESTIONNAIRE

SECTION A: Demographic Details

1. Gender: Male ( ) Female ( )
2. Age: Below 20 years old ( ) From 20 to 29 years old ( ) From 30 to 39 years old () From 40 to 49 years old ( ) Above 50 years old ( )
3. Education level: Primary/secondary ( ) NCE/ND ( ) University degree /HND ( ) Others ( )
4. How long have you been working in the Taraba State Board of Internal Revenue? Less than one year ( ) From one year to less than 5 years ( ) From 5 years to less than 10 years ( ) More than 10 years ( )

SECTION B: Examine whether the competence of the internal audit unit influences perceived IGR in Taraba State Board of Internal Revenue.

Please ensure that you use the under-mentioned point scale strongly agree =SA, Agree = A Disagree = D and strongly disagree = SD

S/N	**Examine whether the competence of the internal audit unit influences perceived IGR in Taraba State Board of Internal Revenue.**	**Responses**			
		SA	**A**	**D**	**SD**
1	Internal audit unit influence internal generated revenue				
2	Competency of staffs influence internal generated revenue				
3	The board has skilful staffs in respect of revenue collection				
4	The board provide policies in respect of revenue collection				
5	The board train and re-train the staff on current issues of tax collection				

SECTION B: Examine whether relationship between internal and external auditors influences perceived IGR in Taraba State Board of Internal Revenue. Indicate how much you agree with the process by ticking against the most appropriate of the provided options.

S/N	Examine whether relationship between internal and external auditors influences perceived IGR in Taraba State Board of Internal Revenue.	A	SA	D	SD
1	The relationship between internal and external influence the revenue generation				
2	External auditors relied on internal auditors records				
3	The internal control of the board is effective.				
4	The management influence external auditors on the report				
5	Internal auditor's compliance with audit guide lines guidelines.				

SECTION C: Examine whether management support for internal audit has significant impact on perceived IGR in Taraba State Board of Internal Revenue. Indicate how much you agree with the process by ticking against the most appropriate of the provided options.

S/N	**Examine whether management support for internal audit has significant impact on perceived IGR in Taraba State Board of Internal Revenue**	**A**	**SA**	**D**	**SD**
1	The management of the board support internal audit.				
2	The management enhance internal control system.				
3	The management of the board improved the system for the purpose of tax collections.				
4	The management bring up with new modalities for the purpose of tax collection.				
5	The management help in enhancement of internal generated revenue.				

Examine whether the independence of the internal audit unit has significant influence on perceived IGR in Taraba State Board of Internal Revenue. Indicate how much you agree with the process by ticking against the most appropriate of the provided options.

S/N	**Examine whether the independence of the internal audit unit has significant influence on perceived IGR in Taraba State Board of Internal Revenue**	**A**	**SA**	**D**	**SD**
1	The board independence enhance the internal generated revenue				
2	Is there any significance increase in IGR with the board independence				
3	The internal audit independence perceived in the IGR generation				
4	The internal audit independence has significance increase the IGR.				
5	Is there any challenges in the process of revenue collection				

Thank You for Your Time