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SOCIO-DEMOGRAPHIC CHARACTERISTICS OF INTERNAL AUDITORS AS PREDICTORS OF INTERNAL AUDIT QUALITY IN FEDERAL UNIVERSITIES IN NIGERIA

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Abstract

The study examines socio-demographic variables comprising of gender, qualification, experience and professional certification as predictors of internal audit quality in public universities in Nigeria. The study used 313 samples of senior staff in the audit department from 40 federal universities that were drawn proportionally from the respective universities. Questionnaire instrument with 5 point Likert scale was used as data collection instrument with satisfactory level of internal consistency above .70. The results show that experience and professional certification were significant predictors whereas gender and qualification were not. It is therefore concluded that experience and professional certification are the active predictors of internal audit quality in the universities in Nigeria. Therefore, it is recommends that universities should device mechanisms of improving staff training and professional development of staff for better performance.

Keywords: Socio-Demographics, Internal Audit, Public University, Internal Audit Quality

1. Introduction

Internal auditing (IA) is an aged function and considered as an effective instrument of management in almost all organizations. It is considered as an important element of organization in both public and private sector. Internal auditing is seen as an overall monitoring and evaluation function with responsibilities to the entire management for the assignment of effective and efficient control mechanism (Kiabel, 2012). A quality internal audit is recognized as a means of assisting board and other management in an organization to focus on its obligation to ensure proper and efficient internal controls are in place. Nedal, (2013); Badara and Saidan, (2014) Alzeban and Gwilliams, (2014); and Endaya and Hanefah, (2013) put internal auditing as a service that assists management and entire institution in realizing its goals.

Internal audit quality perfects and complete its functions and add value based on an understanding of how contemporary organizations function. The roles of internal audit is not only to detects insufficient processes and procedures but also to suggest way to improve organizational practices in order to help the organizations to achieved the desired objectives especially in risk management (Achua & Ogunjoboun, 2014).

The Institute of Internal Auditor (IIA, 2001) emphasized in its definition of internal auditing “helps an organization accomplish its objective”. Assisting organizations to achieve their objectives is the central focus and reason for the existence of internal audit (Mihret, James & Mula, 2010).

Internal audit functions are not only limited to private organisations but also public ones. The quality of internal audit is determined by a number of factors. The present study is aimed at examining the socio-demographic factors comprising of gender, qualification, experience and professional certificate as predictors of internal audit quality in the public universities in Nigeria. The study is structured into five sections starting with introduction, literature review, methodology, results and discussion and the last section is the conclusion and recommendations.

2. Literature Review

2.1 Conceptual Issues

Internal Audit Quality

Internal audit quality is characterized by competency, independence, size, reporting line and timeliness of IA report. The ability to communicate audit reports and

other findings and recommendations in time and at the same time to have prompt response from decision makers is quite important in achieving organizational performance (Enofe et al, 2013). Therefore, internal audit is a function of highly experienced, knowledgeable and expertized staff; reasonable size of audit staff; independence and objectivity in the audit process and ability to communicate audit findings and recommendations through the regular and acceptable reporting pattern (Enofe et al, 2013).

The Statement of Auditing Standard (SAS 65) explained internal audit quality characteristics as involved competence that is educational level, certification and past experience; objectivity which comprises elements such as reporting relationship and effective communication and quality of work performance involving adequacy of audit programme. In another development the Institute of Internal Auditors (IIA) 2003b standards 1210 as cited by Hutchinson and Zain, (2009) internal auditor's proficiency indicated that internal auditors acquire the necessary, knowledge and the competency elements required to conduct audit to ensure effectiveness. In this study, element of IAQ such as competency, independence, size, reporting line and timeliness of IA report are to be considered.

Internal audit quality has significant role in maintaining and contributing to organizational performance under the attribute of an independent internal audit, internal audit competence and effective reporting line to audit committee audit that were entrusted primarily to oversee the internal control and financial reporting process of the organization (Zaire, 2014). External auditors perform effectively with high quality internal audit which can improve and promote appropriate accounting and auditing standards by ensuring that the financial information are true and fair and can serve the organization effectively, thus giving the organization a sense of confidence (Zaire, 2014).

The Public Company Accounting Oversight Board (PCAOB, 2013) stated that many factors contributes or directly influence the internal audit quality. Among the prominent ones are the internal audit competency which consists of experience, knowledge, skills and proficiency of internal auditor; and the rigor of the audit methodology developed under "the Audit Quality Framework".

Correlates of Internal Audi Quality

It comprises IA experience, skills, knowledge and professional proficiency (Mahzan & Hassan, 2015). Internal audit competency represents one of the most essential elements in determining internal audit quality which improve the auditors' role towards organizational performance. The IIA, as prominent standards setters of IA highlights the importance of having essential knowledge, skills, experience and professional qualification by internal auditors to operate more effectively (ISPPIA).

Hutchinson and Zain, (2009) in their study on internal audit experience and qualification; and firm performance from Malaysia indicated significant relationship between qualification of IA and firm performance after employing multiple regression analysis to test the data obtained from 60 listed firms in Malaysia.

Internal Audit in Nigerian Universities

Management of Nigerian federal universities focuses their attention strategically on factors or elements that could improve their performance and competitiveness in meeting their mission and vision in teaching, research and community services like their counterparts around the world (Inua & Okafor, 2015). It is in line with this, the study intends to focus on what contribution would internal audit quality do in enhancing the performance efficiency of Nigerian federal universities. Nigerian public institutions are facing enormous challenges which are making them difficult to achieve their objectives. These challenges are not only limited to ownership structure, that is reliance on funding from federal government and misconception of internal audit function by the top management, but also the ability to utilize the limited scarce resources in running the universities to meet the yearning and inspiration of Nigeria community (Adeyemi, 2011).

Many studies attempted to determine the effectiveness and productivity of Nigeria federal universities (Kempkes & Pohl, 2008). Looking at performance of federal universities in Nigerian, offered an indirect assessment of public funding management, since they are among the major users of the scarce resources of the nation because they are directly funded by the government. Therefore, it is essential to consider

the utilization of the limited resources (Inua & Muduabum, 2014). Internal audit quality as the predicting variable of this study, attempts to contribute greatly in improving the performance of Nigerian federal universities for ensuring effective utilization of the limited resources.

Although the practice of internal auditing is more glaring in private sectors than in public sector, however, it is now receiving more attention from researchers due to its acclaimed contribution toward public sector performance (Enofe et al, 2013; Unegbu & Kida, 2011 & Bayenga, 2011). This certainly brings about the view that internal audit quality is an effective investment and assurance in public sector. It is an important element the entire organizational structure in all Nigerian universities and equally an important process in the governance and arrangements for Nigerian federal universities in providing assurance on control to the Governing Council and the Vice-Chancellor. And those key risks areas are being managed effectively and at the same time highlighting strategies for value – adding in the operational activities (Achua & Alabar, 2014). In recent years, there are remarkable improvements in the management of the scarce resources in Nigerian federal universities, due to little involvement of internal audit in key risks areas of the institutions. However, for internal audit to achieve its mission, it has to be properly structured in such a way that other internal audit functions facilitates the development for effective policy formulation, operational procedures and process, putting together as internal control mechanism that safeguard the institutions assets, creation of effective financial reporting, promote compliance regarding the established laws and regulations of the institutions and ensure effective and efficient organizational operations and service delivery (Achua & Alabar, 2014).

However, it appears that in many Nigerian federal universities do not appreciate the value of internal auditing, rather they consider internal auditors as merely tolerated for compliance to the laws that establishes the internal audit and some even feel that they can do without the existence of internal audit function (Achua & Alabar, 2014). This apparently translate lack of commitment from University regulators and management which is evidenced by the fact that only few of the Nigerian federal universities have comprehensive internal audit charter which clearly

defined the authority and structural position of internal audit in that organization (Inua & Okafor, 2015).

This bleak future facing internal audit in Nigeria federal universities and the negative perception on internal auditor's contribution to the organization (Kramer, 2011) is of great concern not only to the internal audit profession but also to the stakeholders. Much need to be done in analyzing the element of internal audit quality through the mechanism of top management support in Nigerian federal universities to ensure the stakeholders are getting the value out of the investment made on internal audit in the institutions. Hence, the main focus of this study is to determine the extent at which internal audit quality under the dimension of internal audit competency, independence, reporting line, size and timeliness of IA report would contribute towards organizational performance in Nigerian federal universities. The study therefore, attempts to examine internal audit quality in relation to organizational performance from the existing literature.

3. Methodology

3.1 Population and Sample Size

The population of this study comprises of senior internal audit staff from 40 Federal universities across the thirty-six (36) states and Abuja in Nigeria. the whole population of forty (40) Nigerian federal universities would be considered as the population of the study in order to have comprehensive and much wider responses. Further to this, the scope of the study can be appropriately managed in the data collection process using personal contact and electronic medium. From the forty (40) federal universities that represent the whole population of the study, ten (10) most senior internal auditors with salary scale ranges from consolidated salary structure of 07-15 were selected from each of the university as respondents making a total of four hundred (400) respondents.

3.2 Method of Data Collection

This research collected data through distribution of questionnaire to respondents (Directors, Chief Internal auditors, Assistant Chief Internal Auditors, Principal Internal Auditors and Senior Internal Auditors) from the whole Nigerian federal universities. In order to have the completed questionnaires return within shortest possible

time, the hand delivery and electronic mail system would be use so as to suite the peculiarity of Nigerian university System.

The instrument has a total of 47 items with 5 Likert scale that ranges from strongly disagree as 1 to strongly agree as 5 for the first four constructs. However, other constructs have a scale that range from always as 1 to never as 5. The instrument consists of two sections covering the demographic section that consists of gender, age, number of years in service, designation, qualification, qualification and membership of professional bodies while the second section covers the seven dimensions that consists of organizational performance, internal audit quality, internal audit competency, internal audit independence, internal audit size, internal audit reporting line and top management support.

3.3 Method of Data Analysis

The study uses simple descriptive statistics and simple regression model and analysed the data collected through structure questionnaire

4. Results and Discussion

4.1 Demographics of the Respondents

The results for gender that participated in the study revealed that male respondents were the majority accounted 254 representing 81.2% while the least were female respondents that accounted for 59 representing 18.8%. The finding illustrates that male respondents have participated more than the female counterpart.

The findings involving years of service of the respondents portray that respondents with 20-29 years of service were the majority and accounted for 162 representing 51.8% followed by the respondents with

10-19 years of service which accounted for 115 representing 36.7% while the least were the respondents with 1-9 years of service that attracted 36 representing 11.5%,. The results show that respondents have adequate work experience in the audit department.

The findings regarding qualification of the respondents show that respondents that possess Master degree were the majority among the respondents accounting for 169 representing 54% followed by the respondents with Bsc/BA/HND accounting for 126 representing 40.3%, then respondents with PhD which accounted for 14 representing 4.5% and least were the respondents with Diploma/NCE certificate. The findings reveal that staff of the internal audit department have satisfactory level requirement for effective discharge of the assigned mandate.

Finally, the results for professional qualification of the respondents show that respondents in possession of Association of National Accountant of Nigeria (ANAN) certificate were the majority accounting for 163 representing 52.1%, followed by respondents with Institute of Chartered Accountants of Nigeria (ICAN) accounting for 64 representing 20.4% while the least were respondents with ACCA accounting for 3 representing 1%. The findings reveal that most of the respondents have professional qualification required for effective audit function.

However, the results for the regression analysis for the prediction of internal audit quality as based gender as independent variable shows that an insignificant regression equation was found ($F = 1.81$, $p = .204$), indicating that gender is not a significant predictor of internal audit quality in Federal universities in Nigeria. The finding reveals that gender is not factor as far as quality of internal audit functions are concerned in Nigerian universities.

Table 1: Simple Regression Analysis for the Prediction of Internal Audit Quality based on Gender

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	16.215	.340		47.725	.000
Gender	.345	.272	.072	1.272	.204

a. Dependent Variable: Quality

Source: SPSS, 2023

Table 2 indicates the simple regression analysis for the prediction of internal audit quality in federal universities in Nigeria based on the years of service. A significant regression was found ($F = 4.07$, $p = .044$),

indicating that years of service (experience) is significant predictor of internal audit quality. The finding indicates that experience is determines the internal audit functions in Nigerian universities

Table 2: Simple Regression Analysis for the Prediction of Internal Audit Quality based on years of Service

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	15.878	.385		41.205	.000
Years_service	.311	.154	.114	2.018	.044

a. Dependent Variable: Quality

Source: SPSS, 2023

Table 3 indicates the simple regression analysis for the prediction of internal audit quality in federal universities in Nigeria based on the qualification of the respondents. An insignificant regression was found ($F = 2.35$, $p = .126$), indicating that qualification is not

significant predictor of internal audit quality in Nigerian universities. The finding demonstrates that qualification of internal auditors does not predict internal audit quality functions in Nigerian universities.

Table 3: Simple Regression Analysis for the Prediction of Internal Audit Quality based on Qualification

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	15.907	.480		33.132	.000
Qualification	.275	.179	.087	1.535	.126

a. Dependent Variable: Quality

Source: SPSS, 2023

Table 4 indicates the simple regression analysis for the prediction of internal audit quality in federal universities in Nigeria based on the qualification of the respondents. A significant regression was found ($F =$

8.08 , $p = .044$), indicating that qualification is significant predictor of internal audit quality in Nigerian universities.

Table 4: Simple Regression Analysis for the Prediction of Internal Audit Quality based on Professional Certificate

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	17.075	.211		81.033	.000
Professional Certificate	-.129	.052	-.138	-2.464	.014

a. Dependent Variable: Quality

Source: SPSS, 2023

4.2 Summary of Findings

The study considers gender, years in service, qualification and professional certificate as indicators of internal audit quality in Nigerian university. These factors are in line with Mahzan and Hassan, (2015) that experience, skills, knowledge and professional proficiency constitute internal quality competence.. Internal audit competency represents one of the most essential elements in determining internal audit quality which improve the auditors' role towards organizational performance.

The study reveal that out of the four independent variables, gender, years in service (experience), educational qualification and professional certificate on experience and professional certificate are the significant factors that influence internal audit quality in Nigerian universities. The finding of the study is consistent with Cohen and Sayag, (2010) conducted studies in Israel organizations to examine data collected from 108 Israel organizations. The result of the study using correlation and regression analysis indicated significant relationship of internal audit competency with organizational performance. Although, the model used in their analysis combined both private and public organization, the regression analysis shows that the positive relationship is more on private organization because of their sensitivity in implementing internal auditing standards.

The findings demonstrate that experience and professional certificate are very vital as far as competency is concerned. The Institute of Internal Auditors (IIA), as prominent standards setters of internal audit highlights the importance of having essential knowledge, skills, experience and professional qualification as prerequisite for by internal auditors to operate more effectively (ISPPIA). In a related study, Hutchinson and Zain, (2009) assessed experience, qualification; and firm performance and significant relationship between qualification of internal audit and firm performance after employing multiple regression

analysis to test the data obtained from 60 listed firms in Malaysia.

The Institute of Internal Auditors (IIA) practice advisory 1210 – 1 states that internal auditors should possess required knowledge, qualification, experience and other competencies for them to perform effectively. There is certainly a need to have and apply new ideas, approaches and techniques in order to improve and add value to organization (Buregeya, 2007).

Mihret and Yesmaw, (2007) and Muluqeta, (2008) have indicated that lack of qualified, experience and professional audit staff as one of the factors hindering internal audit effectiveness. They suggested that internal audit should have sufficient educational qualification and adequate continuous professional development programme to enable them upgrade their skills and knowledge to meet organizational expectations.

5. Conclusion and Recommendations

The study provides strong evidence of the predictive capacity of experience and professional training as indicators of internal audit competence in Nigerian University. The findings of the indicate that competency of internal audit staff remains instrumental to the attainment of internal audit quality in Nigerian universities The internal audit department is very important inside a university being a key unit in the application of accounting systems and this in turn, helps in evaluating the work of the department as well as the university as a whole. The internal audit remains fundamental in organizational accounting as it is the department that ensures financial regularity in the university. The efficiency of internal audit helps the university to achieve high performance and meet their objectives based on the quality of financial transactions being provided by the internal audit department in Nigerian universities.

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