SYSTEMIC ANALYSIS OF INTERNAL AUDIT FUNCTION AND BUSINESS PERFORMANCE

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INTRODUCTION
The proposition made by Perrow (2001) that the key phenomenon in existence today are organizations, tend to be very relevant, when viewed from the perspective of all major achievement in organizations. The focus of an average business entrepreneur is generally to make profit and as far as possible maximize such within an organizational capacity. Though, a lot of non-profit making organizations also institutionalize internal audit practices, in the case of public corporations, the taxpayers or investors know through audit what is being accomplished. Nevertheless, there are difficulties and complications in trying to satisfy stakeholders in business organization on the basis of sound performance in their operation (Wynne 2007).

Internal audit practice is often relegated to the background in Nigeria, despite the fact that it objectively examines, evaluates and reports on the adequacy of internal control, as a contribution to proper economic, efficient, effective use of resources, risk management and corporate governance processes. The performance of businesses with its associated complexities compels the owners or shareholders to position operational management assistants and subordinates in the performance of exigent functions required for the organisation’s effectiveness (Oluyemi, 2004).

The consequences of the ailing state of publicly owned manufacturing companies in Nigeria and the seemingly unreliable state of auditors report are quite obfuscating to all stakeholders, particularly banks and other investors. The inconsistencies occasioned by the existence of inadequate
internal control measures in business organizations that are operating in such conditions tend to experience grave consequences. They often manifest in poor performance, inefficient allocation and utilization of material resources and human capital. These, in turn hamper performance of businesses, which result from ineffective operational exigencies of the companies, in the same regard, Adebayo (2006) argued that most business organisations do not have audit function and internal audit units or departments. This has tended to create some doubt on the relevance of auditing in business operations. This view appears to have disregarded the fact that the non-establishment of audit units does not imply that business organisations should not have control and fraud prevention functions performed by some designated staff.

The favourable measurement of effectiveness and efficiency are attributes of business performance. These measures appear to be born out of the desire efforts by management of business organizations to (in addition to the traditional management functions of Planning, Organising, controlling, directing and co-ordination), create internal audit unit, so as to achieve standard business performance. The intended result of auditing is the achievement of organizational goals and objective through conformity with laid down rules and work procedures, which also enhances sustainable performance of organizations (Russel, 2007). Thus it appears from Sawyer (1923) that the same reason that has enhanced the evolution of the full audit function, such as industrial performance and stock market crash, have been principally responsible for the performance and development of internal audit practices.

Damagun (2003) argued that, management establishes a system of internal control to help it, meet its own goals. Certainly, two important goals of all organizations are efficiency and effectiveness. The following six concerns were identified as essential to a good system of internal control: Reliability of accounting records; Safeguarding of assets; Profitability; Prevention and detection of fraud and error;
Timely preparation of reliable financial information; Discharge of statutory responsibilities. These six points are also internal auditing concerns. For instance, reliable cost accounting information is important to management in deciding such matters as which products to continue and what billing price to set for products. Failure to discharge a statutory responsibility, such as remitting income tax deductions on time, may result in the payment of a large fine or penalty.

**ORGANISATIONAL FACTORS AND INTERNAL AUDIT FUNCTIONS**

A number of factors tend to shape the performance of business organisations. One issue which appear to attracted little interest in the study of management of organisations is internal audit functions. We do not intend to examine all the organisational factors that shaped the direction of internal audit function rather we will concentrate this present discussion on the relationship between organisational culture, size and technology.

**Organisational Culture**
The internal audit practices are carried out within a context that appears to have influence over it. Most of these contextual issues that appear to influence internal audit function are corporate culture, size, and technology (Koontz, 2000). For instance, Koontz argued that every organizational activity is influenced by the enduring values, styles, beliefs, knowledge and work processes, including the magnitude of the organizational membership. Basically, culture refers to a system of shared assumptions, values and norms that define appropriate attitude and behaviour for its members. Much of a company’s cultural assumptions and norms are inherited from the industry hosting the particular business organization, also from the overall economy and the wider society. The inherited assumptions and norms are practically invisible to most organizations because they are simply accepted as truth, the basic operating and design assumptions.
According to Kreitner and Kinicki (2001), organizational values and beliefs constitute the fundamentals of organizational culture. They also argued that employees’ performance and general ethical behaviour are influenced by the organizations’ culture, it is therefore expected of management to establish the conditions of workplace culture, under which superb performance will serve both company’s and individual worker’s best interest. The taproot of corporate culture is the philosophy, the attitudes, the beliefs and shared values upon which the organization operates. They manifest in people attitudes, their feelings and the chemistry and the vibration which come from the work environment (Waterman 1982).

Ottih (1997) argued that organizational culture contains five attributes; language articles, and symbols, patterns of behaviour, basic underlying assumptions and subcultures. It is expressed by behaviour in five areas; norms, corporate values, organizational climate, management style, structure and system. An eminent scholar, Tarling (2007), often referred to as the God father of internal audit, by the Institute of Chartered Accountants in England and Wales (ICAEW), in course of advancing an argument on the problem of command culture, noted that the internal auditors in the former Soviet Union, did not know how to think. According to Tarling (2007), thinking and asking questions are the hallmarks of internal audit. They were the missing keys in the education required of the internal auditors of the former Soviet Union, Tarling argued. It is widely acknowledged that every organization has its own culture, nature and identity. The organizations have their respective history of successes, which reinforces and strengthens the way they do things. The older and more successful the organization, the stronger will be its culture, nature and identity. Corporate culture is critically an important organizational phenomenon, when considered in the light of organizational and economic performance, its impact supercedes most of the other prevalent factors. Organizational culture has to do with implementation and how success is actually achieved. According to Schneider (2000), in good management, an idea will not work in practice if it does not fit
the culture. Therefore, an organization can have the most super strategy, but if its culture is not aligned with and supportive of that strategy, the strategy will either stall or fail. Strategy is a course of action, including specialization of the resources required to achieve a specific objective, which may either be unit! functional or corporate objective, the latter is the focus of this investigation.

The establishment of an internal audit unit is a desirable step, for the attainment of high performance standards, thus, it appears obvious that the corporate culture in place, in a particular work environment should be relatively suitable. This will be necessary, in order to attain the desired growth expected by management of organization. While no organization has one pure culture throughout, every successful organization has a core culture, which is central to the functioning of the organization. This forms the nucleus of how that organization should operate, in order to succeed. It appears absolutely very critical for the core culture to be aligned with the organization’s strategy and its core leadership practices. According to Schneider (2000), reflecting on Collins (2000), argued that the alignment of core culture and leadership coupled with strategy is central to achieving organizational effectiveness which is a measure of business performance.

In the absence of the expected synergy of such factors with culture, the organization may loose focus, energy would be dissipated and wastages will be experienced. as employees, system, and processes could work at contrary purposes against one another. Therefore, it is possible to argue that, if the management idea fits the nature of the organizational culture, the probability may be that organizational goal attainment success will be high.

**Organisational Size**
The second organizational factor of interest is organizational size. This refers to the magnitude or extent of an organization. It is often referred to in dimensions such as big-small and
large-small. Organizational size is an important variable that influences structural design. Structure refers to the manner in which the human resources are organized for its teleological activities. It is the way the human capital are allocated in relatively fixed relationships that largely defines patterns of interaction, coordination and task oriented behaviour (Steers. 1977). It is a generalized impression that internal audit department is a fall out of departmentalization, span of control and decentralization, which are features of large organizations. We are inclined to accept the fact that smaller organizations with negligible number of employees, will be able to check process controls, safeguard assets, therefore may not possibly create an internal audit unit (Koontz 2000).

There have been several interests generated from the issue of how the size of an organization may influence various aspects of organizational success. The pattern that emerged indicated that, increase in size of the organization appears to be positively associated with increased efficiency (Lucey, 1983). There are other factors such as reduced labour cost, environmental controls and orderly managerial succession, which are attributes of process control that may ultimately result to organizational efficiency. It has been argued that delegation and decentralization which are features of very large organizations had often times resulted in excessive bureaucratization which may hamper organizational effectiveness (Daft, 2000 and Mintzberg, 2000). Though, over centralized internal control system may aid reduction of bureaucracies, thereby contributing to enhanced efficiency in organizations.

Barrie (1974) and Greiner (1972) appear to have a corroborative view that organizational size relates to the state of its life cycle. This view appears to imply that younger firms are most likely to be smaller than older ones. Considering the business life cycle, it could be further argued that oldest firms are most likely to shrink in their size. The evolutionary disposition of Barrie (1974) and Greiner (1972) underlie the fact that an enterprise begin as simple firms with a single
product, function’s and a single region, it tends to be small with simple operations. However, as they successfully operate they tend to add more products and move to other regions. However, a broader perspective on determining organisation size according to Tesch (1990) is to evaluate the strength of such indicators as sales volume and employees’ size. Therefore, a firm could be viewed as larger in size than another with regards to its sales volumes and its number of employees considered higher, comparatively.

To some extent, there appears to be a link between the life cycle perspective of Barrie (1974) and Greiner (1992) sales and employees perspective of Tesch (1990) This evidences the fact that firms start with a single product, function and a single region but successfully adapt to multiple regions, functions and finally multiple products as the firm move from introduction state to growth stage Galbraith, 1974). Because size is related to operational complexity of firms, it appears that the auditing practice in business organization is most likely to be influenced by size, to the extent that the practice or function of auditing is neglected or absent in smaller firms. However, such functions are never absent in firms irrespective of size, but such is diffused in the responsibility of the entrepreneur or the chief executive. Besides, size tends to have some relationship with growth. Because of the implicit importance of sales and employees in determining size, Barrie (1974) argues that sales and profits as functions of size tend to be the reliable factors to determine life cycle trend since they present tangible indices that are meaningful and also reflect the fortune of the firm. This further indicates the acceptance of sales and profit trends as indications of growth. The implication of the life cycle perspective is that growth is strongly related to time and the transition of the firm from one life stage to another.

According to Olayiwola (2004), the study carried out on fraud and allied issues. Two key facts emerged regarding the type of industry and the size of the organization: The largest median losses occurred in publicly quoted and private companies, and
the smallest took place in nonprofits and governmental agencies. This is not surprising considering publicly quoted companies generally have more assets than the other two types of entities. The smallest organizations of 100 employees or less actually suffered larger median losses than did the largest organizations with 10,000 employees or more. This means the smallest companies were over a hundred times more vulnerable to fraud than their largest counterparts. In the 1996 report, the trend was similar. The smallest organizations suffered the largest per employee median losses because of three factors. First, basic accounting controls often were lacking. It was common for a small organization to have one employee write and sign cheques, reconcile the bank statement and keep the company’s books. In such situations, occupational fraud was easy to commit. The second was due to the level of trust that existed because of the entity’s size, in an atmosphere where employees knew each other, and they were less alert to the possibility of dishonesty. Thirdly, small companies were less likely to be audited. Unfortunately, small companies were also less likely than their large counterparts to report and prosecute these offenses because of the effect of adverse publicity.

The focus of this paper is not on technology, as a major influence. The issue is to what extent does the effect of these organizational factors of corporate culture, size and technology affect the influence of internal audit functions and the organizational growth. Technology is defined broadly to include spheres of research and development. In almost every industry, technology linkages have been a source of competitor scenarios proven to be critical for firms (Schneider, 2000). For instance some small business has used internet and communication technologies along with database and related technologies to deliver superior value, in large dimensions.

**Organisational Technology**

According to Chariton and Ketz (1990), technology refers to the means by which work is done; and includes the (i) machines, tools and materials used, (ii) sequence or flow of operations,
(iii) way in which work arrives and is processed, (iv) pace and timing of work as determined by machine speed or customer demands, (v) deadlines and interdependencies with other parts of the organization (vi) noise level, (vii) procedures, processes, and forms used in doing work. (viii) level and kind of expertise or technical skill needed to do work, (ix) activities and interactions required to provide a service such as meetings, discussions and desk work with some few tools, and (x) way in which space is used and equipment laid out. Woodward defined technology as the methods and processes of manufacturing measured in three variables. These are the: (I) states in the historical development of production processes, (ii) interrelationship between the items of equipment used for these processes, and (iii) extent to which the operations performed in the processes were repetitive or comparable from one production cycle, or sequence, to the next.

According to Steers (1977) technology may serve to moderate the impact of size on productivity and growth which constitute embodiment of favourable profitability, effectiveness and organizational efficiency. The mediating effect of the organizational factors is not the main focus. It is merely an attempt to explaining the possible existence of certain mediator variables whose effects may or may not affect the influence of the predictor variables on the criterion variables. From our brief discussion of the meanings, components, variables and types of technology, there are several possible indices to measure organizational technology. Unfortunately, there is no one single study that can utilize all of them. Even where this is possible, not all of them may be relevant to a given study. This leaves the researcher with discretion of what measures or indices of technology to select for a given study involving technology. In view of the foregoing, this paper employs central storage facility, framework for easy information sharing and information technology that is supportive of easy data retrieval technology. This is in anticipation of their being used to illustrate the role of technology in the hypothesized relationship between internal audit function and business performance.
Though, regarding the effects of technology on organizational effectiveness, there were popular empirical studies, like the Woodward (1958), Anders (2003), Mahoney and Frost (1974), Meyer (1968). According to Mohr (1971), the effectiveness of organization is largely a result of the extent to which an organization can successfully match its technology with an appropriate structure (size). In the local environment the use of out-dated method of baking bread, by means of mud-oven, with firewood, then manual loading and off-loading of bread casing (plates), placing such technology alongside with the automated modern electric giant oven, for example the model in use at Happy-bite big treat bakery,

opposite the Airforce Base, in Port Harcourt, the difference in operations is incomparable.

According to Sanusi (2007), for any business to attain substantial growth, the need for high ethical standard on the part of internal auditors and good corporate governance should be emphasized by management. Similarly Odozi (2002) a former deputy governor, central bank of Nigeria argues that the incidence of corporate distress has been linked to failure of internal control. They could have possibly resulted from inadequate systems or where they existed or they were fundamentally compromised and breached. Thus, those who were expected to be the game keepers became game poachers, while those who were expected to be watch dogs became lap dogs. Also in the same regard, Akpata (2001) argued that an effective internal audit service can, in particular, help to reduce overhead, identify ways to improve efficiency and minimize exposure to possible losses, from inadequate safeguards, all of which can have significant effect on the bottom line.

**PROCESS CONTROL AND BUSINESS PERFORMANCE**
Having discussed internal audit function and business performance in the previous section, here we considered process control and business performance, examined possible theoretical relationship. Process is a description of stages involved in achieving an objective or goal, whereas control is a process of monitoring performance and taking action to ensure desired results. Thus, process control is an internal audit function which management of organizations adopts to influence other members of the organization in the implementation of its strategies. It is the means employed for the achievement of management goal (Oluyemi, 1998). It appears undisputable however, that process control helps in ensuring that overall direction is consistent with short, intermediate and long range plans. The monitoring of performance, placed alongside plans with comparison over the passage of time or operational periods is facilitated by process control. It appears that the action objective and performance accomplishments at various levels and among various units in an organization, by means of control are made consistent with one another. Thus, it tends to ensure compliance with basic organizational rules, policies and respect for others, therefore process control is necessary.

According to Ackoti (2000), process control involves four steps which include: (1) predicting the outcomes of decisions in the form of performance measure; (2) collecting information on actual performance; (3) comparing actual results with predicted performance and (4) when a decision is shown to have been deficient, correcting the procedure that produced it and correcting its consequences when possible. From these, it seems obvious that the process control basically entails checking or monitoring the allocation of resources, measuring performance against set standards, obtaining feedback on results, evaluation of constraints and plan in the light of emerging scenarios and correcting deviation from the standards.

It can therefore be argued that the steps identified above appreciate and actually encapsulate the following control
measures, without which they will not be effective: (1) measurement of performance against predetermined objectives, planned standard; (2) communication (reporting) of results of the measurement process to appropriate managers; (3) an analysis of the deviations from the objectives, plans, policies and standards in order to determine the underlying causes and (4) consideration of alternative courses of action that may be taken, to correct deficiencies and to learn from successes achieved. Choice and implementation of these measures may enhance the effectiveness of the corrective action taken, and the feedback of information to the process of administrative control.

Lucey (1987), Attwood and Stainer (1971) buttressed the definition of Consultative Committee of Accounting Bodies (CCAB), argued that internal control is the whole system of controls, financial and otherwise, established by the management in order to carry on the business of an enterprise in an orderly and efficient manner, to ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records. According to Govindarajan and Anthony (1995), process control recognizes that management control system which goes beyond matters relating to financial department functions appears relevant in every organization. The existence of such measures encourage promotion of operational efficiency, adherence to prescribed management policies, and by extension ensures that actual performance is consistent with plans.

The enhancement of business performance appears to be born out of an organization’s process control, which is based on action, designed to prevent problems, correct problems, and possibly explore opportunities. When standard policies are in place, the performance of business tends to naturally flourish.

Lucey (1983) argues that ideal standards are those based on optimal operating conditions, devoid of breakdown, wastage, stoppage and idle time. Therefore, management establishes
the internal audit department, which acts as a mechanism for implementation of basic elements of process control. These elements include; the establishment of performance objective and standard, the measurement of actual performance, the comparison of actual performance with objectives and standards, and taking necessary or corrective action.

As argued by Schermerhorn (1988), process control occurs through self-discipline and personal exercise of individual or work group responsibility. In the organizational context, it is relevant when the group or organization’s management determined how things should be done and it exercises organizational discipline in accomplishing performance results. Adewuyi (1991) argued that establishment of a strong and effective internal audit unit with the powers to raise alarm is an essential character of a process control system. This of course, appears necessary in order to implement the desire for complete and continuous audit of accounts and records of revenue, expenditure, plant, allocated and unallocated stock. Thus, Process Control involves comparison of objective with the needs of the organization, identification of activities not meeting objectives. Given these measures, it implies that when the use of investment appraisal is adopted in an organization, it can be classified as a means of control. Thus, act of project monitoring, implies the placement of actual results against initial projected operating results. Therefore, it is important for an organization to analyse control and reporting systems and alert managers on the need for corrective action. From the foregoing we tend to understand that if an organization institutes process control regime in its operations, injury resulting from plant or operational tools, will also be minimized and by extension loss of human life at the workplace prevented. It may further ensure the attainment of overall organization’s goals and objectives. However, beyond these overt consequences of process control, the obvious consciousness of its existence may guide work attitude. Thus, within the audit function framework, such guide becomes the reference with which actions are adjudged as right or wrong within an organization.
ASSETS SAFEGUARD AND BUSINESS PERFORMANCE

Having discussed process control and business performance in the previous section, we have also, carefully examined assets safeguard as a dimension of internal audit function. In this section we shall discuss assets safeguard and its relationship with business performance. The fixed assets are subjected to annual wear and tear normally referred to as depreciation. With the exception of land which may appreciate in the fixed category of assets, other categories undergo amortization, whereas the wasting assets are subjected to the process of depletion. The method of depreciation adopted by management should be strictly adhered to and the consistency principle should prevail to avoid unnecessary discrepancy that may arise from assets valuation. The maintenance of assets register is very crucial, just as the preparation of debtors ageing analyses for business organizations makes for effective and efficient management of resources (Umoh, 1994).

Assets are safeguarded against loss, damage and misuse. The situation or circumstances that expose assets against safeguard could be classified under the following: Pilferage, exposure to unfavourable weather conditions, rough handling, improper usage, wastage and incorrect recording. There are also the physical safeguard and security necessary for organization’s assets. These include control of access to physical assets and information systems generally and those systems relating to corporate assets in particular, deserve adequate control and should also be restricted properly, it may be expedient to allow only authorized personnel unhindered access to the information systems of business organisations.

The various categories of organization’s assets are to be safeguarded. Though, the accounting, stock control, stores and security departments serve as custodians of these resources (assets). There should be, as a matter of policy, a method of issuance of materials or stock from the stores department. The last in first out (LIFO) or first in first out
(FIFO) which ever that is being adopted should be consistently adhered to. The internal audit unit which is an off line control mechanism serve as a security checking device to all on-line Controls (Libby et at, 2002). The explanation advanced by Scholefield (2005), Harry and Elliot (2002), that Off-Line-Control consists of on-going measures and procedures designed to provide reasonable assurance, that all significant actions of a business organization, are taken in accordance with organization’s policies and with due regard for efficiency and the protection or safeguard of corporate assets. The on-line control function is more of an appraisal activity designed to evaluate the capabilities of an organization, to promote more efficient and effective controls through constructive recommendations of the internal audit unit.

In order to safeguard corporate assets, organizations’ records and documentation of transactions should be crosschecked by qualified and designated personnel (the internal auditors). For the maintenance of checks and balances in the system, the job of employees should be checked against one another (Lucey, 1987). The achievement of a favourable result at the least cost of resources possible appears to enhance business performance. The contributions made by scholars emphasizing the need for organizations assets to be safeguarded, had over the passage of time resulted to goal achievement and often time, effective business performance may have been realized and sustained (Ghartey and Czartoryski 1995).

Mautz and Neuman (1990) had a different view, on the issue of assets Safeguard, that irrespective of the undue pressure on th’ internal audit staff, the internal auditor remains accountable to management and by extension the shareholders or owners of the business organization. According to Alan Ravenscroft of British Petroleum, internal audit function affords traditional safeguards on the assets of a company. Michael Dowdy, group financial Director of George Wimpey attested that assets safeguard adopted through means of control of resources by internal audit department had immensely contributed to the overall performance of
businesses. There should be adequate communication between the internal audit unit and management. There should also be unhindered access of information from Managers and their subordinates to the internal auditors.

This process may enhance effectiveness in operations and efficiency in the measures of control established in the organization. The result of which should set high performance rating and organizational goal achievement, in an attempt to achieve enhanced business performance, which as earlier mentioned, are measured through profitability, effectiveness and efficiency. The safeguard of assets are associated to costs, therefore, it should be considered that the audit of cost could be done as the work progresses or as the process is ongoing, but in some situations the cost audit is not made until a project is completed. An option by which internal audit unit put in place, should carry out the auditing as the work progresses may be preferable, because such circumstances make it possible for potential errors to be uncovered and corrective measures taken, thereby avoiding uncontrollable situation.

**FRAUD PREVENTION AND BUSINESS PERFORMANCE**

Abdullahi (2007) argued that Political and public office holders, board members, management and employees should lead by example in ensuring opposition to fraud and ensuring adherence to rules, regulations and codes of conduct, more so, that all procedures and practices are beyond reproach. Employees and members of the public are important elements, in the opposition against fraud and are positively encouraged, to raise alarm as part of its responsibilities, organizations are to authorize its internal audit unit to investigate activities suspected of involving fraud. Its audit manual is required to provide adequate coverage of the risk of fraud and also to reflect the requirement for audit staff to be properly and regularly trained.

Managers at all levels in an organization are primarily responsible for fraud prevention and detection. They are
required to conduct fraud risk analysis on an ongoing basis in their areas of responsibility, owing to take appropriate counter measures to limit that risk to a minimum level. The cost effective approach should be adopted in the implementation of internal process control measures. Managers at all levels should basically perform their responsibilities in fraud prevention and detection through the development and maintenance of adequate and effective systems of internal control, which comprises the plan of organization and all of the co-ordinate methods and measures adopted within an organization to safeguard its assets, check the accuracy and reliability of its data and information, promote operational efficiency, and encourage adherence to prescribed managerial policies.

In 1982, the Institute of Cost and Management Accountants (ICMA) argued that, although it is extensively difficult to establish a theoretical framework for causes of fraud, three distinct factors seen to be very instrumental to giving rise to opportunities, for the occurrence of fraud. They are: situational pleasures, existence of lapses for fraud to flourish and Personal characteristics. This tends to be prevalent particularly when there is job dissatisfaction, personal financial difficulties, pressure from fellow employees, friends and relations. These appear to subject the individual(s) to financial pressure and susceptibility to defraud.

The other situation that can create lapses for fraud to flourish include, lack of proper or adequate control supervision, close work relations, inadequate communication roles of conduct and irregular working hours. The individual personal characteristics (indecent character) which presupposes improper act, can lead to fraudulent practices (Ojaide, 2000). The formula introduced in organization would assist managers to determine optimum mix of internal audit resource allocation and penalties for violators. The development of fraudster has remained unabated and fresh discoveries are regularly made of more sophisticated ways of perpetrating their deals (Ebhodaghe, 1996).
Hotten (1993) made a critical examination of the fraud phenomenon of the Victorian age. He cited Thatcher’s call in the early 1980’s for a return to Victorian values that heralded an outbreak of corruption strongly reminiscent of that age. It had been observed that Victorian frauds had soured the image of businessmen in the minds of the people. The individual revolution and the consequent emergence of sophisticated financial and legal networks, led to expanded chances or avenue for fraud to thrive. While discussing internal audit function, Nwankwo (1991) described fraud as a complex universal phenomenon. Political, economic, social, cultural and attitudinal factors combine in contributing to its incidence. Its effects are cumulative and circular, and they extend beyond the boundaries of the nation and states (Adekanya and Ojie-Ogbebe, 2007). The information deduced from a study carried out by United States of America Congressional Committee, found that out of about seventy five commercial banks failure between 1980 and 1983, 61% involved criminal misconduct by insiders. For instance, citation for fraud comprised 63% of the total number of identified causes of banks failure (Nwankwo, 1991). It has been observed that, it behooves on the internal auditor to detect fraudulent behaviours which involves high level Managers, against the backdrop of preservation of integrity, responsibility and accountability required of them by virtue of their terms of assignment, duties, status and position in an, organization (Nwanjo, 2005).

Govindarajan and Anthony (1995) observed that, often times, managers manipulate figures, so as to report the attainment of the organizations’ budgeted profitability, thereby falsefully placing that organization in a favourable position. The application of such device is recording, as revenue in the current period, goods that had not actually been shipped or supplied to customers in that given period. In some other situations, managers manipulate figures, achieving result of performance exceeding the budget, in which scenario, certain revenue transactions may be omitted in management report.
When considered that reporting a high profit may lead to an increase in the budget amount in the succeeding periods.

Olayiwola (2004) advanced that fraud is becoming an insurmountable threat to the world economy. Some of us are aware of the biggest corporate Fraud probed in South Korea. Daewoo went down in 1999 with eight billion US dollar ($80 billion) debt, (BBC News, 2005). His debt arose from improper accounting and insider dealings with banks and government officials by the Chief Executive Officer, Kim Woo Choong. He directed his executives to inflate assets values to acquire bank loan between 1996 and 1997. He equally smuggled $3.2billion US dollars overseas.

Akpa (2007) argued that integrity and ethical values is the product of an entity’s ethical and behavioral standards and how they are communicated and reinforced in practice. They include management’s actions to remove or reduce incentives and temptations that might prompt personnel to engage in dishonest, illegal, or unethical acts. They also include the communication of entity’s values and behavioral standards to personnel through policy statements and codes of conduct. There appears to be absence of discipline, fortitude and integrity on the part of internal auditors to always stand up to the intimidation by senior management. For example, when pressured with threats of replacement or enticed by financial rewards, internal auditors are on record to easily accommodate and compromise on questionable accounting practices. Even though they were aware that such practices did of find the generally accepted accounting principles (Akpa, 2007).

It may be worthy of mention, the issue of integrity argued in Osisioma (2001) and adopted in Johnson (1999) which presupposes that, when one willingly joins an organization, agrees to act on its behalf and in its interest, also agrees with the aims and values, obedience and loyalty are part and parcel of integrity. But when one comes to disagree with those aims and values, integrity requires disobedience and disloyalty, at least in the form of a resignation. Therefore, Ezekwesili (2002)
and Osisioma (2001) appear to agree that integrity is the aspect of one’s character rooted in his conviction, which serves to deter him from taking advantage of his position or strength to gain, at the expense of his organization, customer, client or subordinate. Similarly, Drucker (1986), in course of outlining the path to integrity for Managers argued that, the final proof of Management sincerity and seriousness is uncompromising emphasis on integrity of character.

From the foregoing statements, we deduce that internal auditor and managers of organization possesses high value of rating in terms of integrity and ethical standards of practice. Thus, it appears may contribute to sound business performance, when set target are met within the stipulated period. The organization over time may witness accelerated growth in all spheres of its operation, within the particular industrial sub-sector. The operational environment and the overall economy may experience considerable improvement. The internal auditor’s primary responsibility is not to investigate, detect or prevent fraud and other irregularities. It was stated by Justice Lopes (1896) in the case of Kingston Cotton Mill Company. An auditor is a watchdog and not a blood hound, He is not bound to approach his work with suspicion. He is entitled to rely on the representations of trusted officers of the Company.

These trusted officers are the top management, the Directors of finance, Administration, Engineering etc; and their Subordinate Managers. The way organizations are operated in this twenty first century, the judgment of Justice Lopes would have been different. It is expected of the internal auditors to possess basic knowledge of the requirement of a business transaction, to make for effectiveness and efficiency in the discharge of responsibilities. The internal auditors should also have courage to intervene from the points of expedience; the ideal situation is when the transaction detail is made available to the internal auditor, which is hardly ever so. Furthermore, the interventionist should be fair, firm, frank, objective and articulate in order to earn the respect of the various
contributors to the business process. To ensure effectiveness on the part of the internal auditor, independence should be guaranteed.

According to Aikhorin (1991) fraud is an action which involves the use of deceit and tricks to alter truth so as to deprive a person of something, to which he might be entitled. Oziegbe (2001) while arguing on business profitability and efficiency in corporations, noted that fraud refers to intentional distortion of financial statements or other records which are carried out, to conceal at the misappropriation of assets or otherwise for gain. In view of the serious threat posed by fraud in business performance and existence, it is possible that the absence of an adequate response to the threat arises, because the instinct for business survival, encourages management of organizations to anticipate that change, the process by which the future invades existence, is much less profound than is actually the case. And perhaps instincts may lead to betrayal and judgment which could be totally erroneous, about personalities in position of trust. A good number of corporate management shuns the practice of reporting fraud to the public, in order to protect their image and goodwill and to win the confidence of investors (Adebayo 2006).

CONCLUDING REMARKS AND IMPLICATIONS
Abdullahi (2007) argued that managers of organisations have failed to internalize the norm of not applying funds for purpose other than their intended use. Perhaps, the indiscretions are not only symptomatic of large financial abuses but contribute in encouraging malpractices and maladjustments in business operations. Recently, it was declared that auditors aid wastages, corruption and distress in the financial system. It was submitted that auditors’ job had become that of post-mortem book examiners and that their inability in the publicly-owned companies to live up to their responsibility, aided waste and corruption in some organisations. What was regrettable as declared is the fact that it was possible for company executives in position of trust to embezzle huge gums of money, despite the presence and operation of internal
auditors, who were there to prevent fraud. This alarm at least confirms a dictum on structures that good organization structure does not by itself produce good performance, just as a good constitution does not guarantee great presidents or good laws a moral society. But a poor organization structure makes good performance impossible, no matter how good the individual managers may be.

According to Ezekwesili (2002) anytime you are looking for the causes of failure of any government institution in Nigeria, play the doctor always suspect bribery and corruption first, just as the tropical doctor suspect malaria in men and pregnancy in women. When you see roads being washed away by rain six months after asphalt surfacing, suspect that the contractor never got up to seven-tenths of the money he signed for. When you see new government equipment lying uncommissioned for years, suspect that some officials colluded with vendors, and took hasty and shaddy purchasing decisions. When you hear that goods worth thousands of Naira have been seized from smugglers and profiteers, but you wait in vain to hear that those smugglers and profiteers have been sent to jail, suspect that some officials have been gagged with Naira. When you see her breaking organisational rules with impurity or sprinting up the organisational ladder and when you see a building contract awarded to a seamstress, suspect that a pretty ‘chick’ is sleeping around in cozy beds. When you hear that government importing firms cannot import, that government co-operatives cannot distribute or that goods rot away in warehouses, suspect that some unofficial conditional purchase/sale arrangement exists. When you see government institutions remaining sick babies, wasting tax payers’ funds, perpetually crying to government for funds but always finding new reasons for not performing, suspect that some men on top are trampling the organisation in their fight for power, or that a top official has flooded the whole place with brothers, friends and relations.

The focus has always been on prevention through the necessary internal control measures, put in place by the
internal audit department of organizations, the traditional process controls applicable to business organization are usually employed, to ensure profitability effectiveness and efficiency. The investigation of fraud came about in the year 1770, when there was widespread or large scale fraud reported in the South Sea bubble company, which outraged public outcry in the United States of America. Then, auditors were appointed to investigate the fraud.

The experienced non-executive directors and effective audit committees can play an important role, in maintaining the integrity of an organizations policies and procedures and can also help to ensure that proper perspectives are maintained, in circumstances where operating management, are under undue pressure to produce results. In the same vein, a strong internal audit function with a reporting line to every senior member of management, a board member if possible, who would also have some overall responsibility for systems and their security is an important link in the chain of an organization’s fraud prevention strategies.
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