INTERNAL AUDIT QUALITY AND PUBLIC EXPENDITURE EFFICIENCY IN RIVERS STATE PUBLIC SECTOR

GABRIEL NKWAZEMA. OGBONNA, PhD.
Department of Accounting,
Faculty of Management Sciences,
University of PortHarcourt,
Choba, Rivers State,
ogbonnagab@yahoo,com

ANURUME OKWESILEZE GODWIN
Department of Accounting,
Faculty of Management Sciences,
University of Port Harcourt, Nigeria

Abstract

This study empirically investigated the influence of internal audit quality on public expenditure efficiency in Rivers State, using primary data obtained from questionnaire and utilizing the cross-sectional research design and a sample of eight public corporations located in Rivers State. The study adopted two proxies for internal audit quality which are internal audit rules and internal audit procedures and two fundamental measures for public expenditure efficiency which includes public expenditure value and public goods. After the analysis, the study found that internal audit and public expenditure efficiency in the Rivers State have a great level of association. The study also discovered that Internal Auditing Procedure showed a significant relationship to Public Expenditure Value; and Internal Auditing Procedure exhibited a significant relationship to resource acquisition of Public institutions in Rivers state; Internal Auditing Rule showed a significant relationship to Public Expenditure Value; Internal Auditing Rule revealed a significant relationship to resource acquisition in Rivers state. Organizational Structure did not influence the association between internal audit and Public Expenditure Efficiency. This study therefore concludes that internal audit has strong influence on public expenditure efficiency and if the internal audit quality rules and procedures are properly observed, public expenditure efficiency will be positively enhanced and improved. In view of the findings and conclusion, this study recommended that internal audit should be made a mandatory requirement in the public sectors over routine internal audit. Also, Internal Auditor should have unrestricted access to the highest level of management and his report should be regularly published and acted upon so that transparency, accountability, value for money, prudent spending, cost effectiveness and regularity will be highly achieved in the public service.
Keywords: Internal Audit Quality, Public Expenditure Efficiency, Public Value, Public Goods.

Introduction

The importance of Internal Audit Quality and its influence on expenditure efficiency in Rivers State Public Sector cannot be over emphasized. Considering the critical role Internal Auditors play in the public sector, the Internal Audit Quality should therefore be measured based on the standards set by the Civil Service Rules and Regulations and local and state governments' policies and programmes, especially budget thrust or objectives. Also relevant in

the evaluation of internal audit quality are the expectations and needs of the people, the type and quality of services being rendered, the state of development and the environment in which the Internal Audit work is being done. Internal audit quality is very crucial as a basis for determination of the value of reports and information being given to local and state governments' authorities for informed decision making. The extent to which the internal audit satisfies the expectation and needs of the people, information users and also meets the civil service rules and regulations determines the quality of internal audit. The overriding reason for this according to Millichamp and Taylor (2012) is that government and public sector bodies are funded by public money and must therefore be accountable for its use; accordingly, the public sector auditing process perhaps places a greater reliance on the effectiveness of internal audit than the audit process in the private sector.

Like every other profession, the Internal Audit strives to deliver the best possible service by way of quality reports for efficient and effective administration of the public sector. Therefore, the starting point will require the head of internal audit to identify the objectives of internal audit in the public sector, align these audit objectives to the needs of the people and information users, and then establish processes and systems to achieve them and seek to have unrestricted reporting system of the results to the highest level of the administration (Walters Kuwer, 2017).

The Institute of Internal Auditing defined internal auditing as an independent, objective assurance and consulting activity designed to add and improve an organization's operations; it helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes (Millichamp & Taylor, 2012).

The significant role the public sector plays in the development of any nation, especially in the local and states government cannot be over emphasized. Therefore, any improvement in expenditure efficiency pattern would likely exhibit a very important influence on economic growth and diminish stress on the nation's fiscal policy. Over the years, according to Asuquo and kpan (2012), many public organizations in the nation have undoubtedly revealed their deficiencies in the provision of timely and accurate financial information. Since many users of such statements rely heavily on the annual financial statements prepared by the government to make informed financial decisions, various systems have been created to check the integrity and objectivity of these statements usually in the form of Auditing.

According to Ebimobowei and Kereotu (2011), "it is better to prevent an epidemic rather than cure it; it is also better to prevent fraud rather than detect it". It will be fire fighting strategy if fraudulent misrepresentation is allowed to be committed before detecting it, the holistic influx will merely be a postmortem exercise which may hardly result to complete recovery of the loss. In order to avoid the foregoing situation, organizations do create internal control techniques to prevent waste, misappropriation and mismanagement of economic resources and proactively prevent error and fraud through internal auditing.

The essence of internal auditing is to guarantee that during litigation about the Internal Auditing Procedures and rules adopted in an audit process, valid and verifiable audit report can be provided by an organization to state the true position of affairs in a company (Enofe et al, 2013). According to Fargason (1993) this is intended to give a genuine image to all stakeholders and partners as to the affairs of the organization.

In recent time, there has been increasing demand for accountability. This is unlike before when the importance of performance and internal audit has generally been overlooked, it is now gaining increasingly acceptance and recognition due to the emphasis on performance improvement and accountability in the public sector. Internal Audit is a systematic, purposeful, organized and objective examination of government activities carried out from within the ministry and parastatals (Odia, 2014). It provides parliament with an assessment on the performance of these activities with information, observations and recommendations designed to promote accountability in government and ensure an ethical and effective public service, good governance and sustainable development (Waring & Morgan,2007).However, in some countries, the constitution or legislation do not always confer the authority to audit "effectiveness" or "efficiency" of the financial management of the executive arm of government on the SAI but on the ministers who report to the legislature. Internal audit has been found to have a greater role for performance accountability than performance improvement to the public (Manaf, 2010).

Public expenditure according to Anyafo (1996), means expenses incurred by public authorities at the central, state and local government levels. This is underscored by McNutt (2002) who distinguished public expenditure from government expenditure as expenditure by the public sector while government expenditure as more narrowly to that undertaken by its government. Bhatia (2010) sees Public expenditure as the expenses which a government incurs for its own maintenance, (ii) the society and the economy, and (iii) helping other countries. It has been observed that in practice, there seems to be no clear distinction between government expenditure and public expenditure. However, with expanding State activities, it is becoming increasingly difficult to separate the portion of public expenditure meant for the maintenance of the government itself from the total (Bhatia, 2010).

Over the years, public expenditure has recorded a continuous increase in almost every country, especially in Nigeria where the increase has been facilitated by budget padding practice or procedure. However, the question that will engage our attention is whether the public expenditure is increasing or growing in the same rate with public goods and services and infrastructures, especially development generally? The disturbing concern is that more often than not the two are not increasing in the same rate or direction in Nigeria. When public expenditure increases, one expects a corresponding increase in public goods and services but hardly does this occur in Nigeria. It seems that a significant proportion of the public expenditure increase goes into private pockets at the detriment of the public interest. This calls to question the quality of internal audit in Nigeria whether it is actually achieving its fundamental objectives of ensuring transparency, accountability, value for money, economy, prudent spending, cost effectiveness and regularity (that is, the use of public funds for the purpose for which they are meant for). Consequently, this study is carried out to address the foregoing issue.

According to Oladipupo (2005), in Nigeria today, the reality is that highly placed government officials see no need for judiciously expenditure of public funds, in this manner mistakenly trusting that it is their own share of the national cake. Corruption has brought down the quality of administrations, diminished revenue, energize redirection and misappropriation of public fund, and public are left to endure after they have added to income by paying duties, fines, charges and so on. These activities by lawmakers and public office holders have called the consideration of numerous Professionals to decide ways whereby these public office holders

are responsible to the residents keeping in mind the end goal to upgrade the prudent, productive and compelling utilization of public resources. One of such ways according to Agbo and Aruomoaghe (2014) is through internal audit. This makes the evaluation of the influence of internal audit quality on public expenditure efficiency increasingly necessary.

Statement of the Problem

Recent developments have shown that there have been increasing public outcries on the government's wastage in public expenditure, persistent corruption, high recurrent expenditures, cost of administration and poor budget performance by the various governments in the nation, especially in the states and local governments since the advent of democratic rule in 1999. Equally worrisome is the political and media propaganda by most elected officials in the delivery of democratic dividends whereas the massive looting and corruption continue non-stop (Odia, 2014).The major constraints to effectiveness of these audit committees, which include deficiencies in the enabling law and the lack-lustre attitude of regulatory and professional bodies on the subject-matter in Nigeria, have been identified (Owizy, 2015).

According to Chinweoke (2014), there have been overbearing persistent debt crises, varying economic mismanagement by successive governments. Since independence, the revenues accruing to Nigeria has been on the increase annually. Nigeria budgets and spends greater proportion of her income on revenue expenditure and little on capital expenditure. This practice is quite unhealthy for any meaningful economic growth. Consequently, Nigeria is suffering from economic underdevelopment.

Some of the identified problems in this study include: poor and low output of goods and services in relation to the demand for them, basic social and economic services are grossly inadequate and poor, the level of technology is very low and as a result primitive technology is still being used in agriculture till date. Low productivity also prevails, there is a high degree of unemployment in the country, as there are no functional firms. Basic infrastructures such as good roads, health facilities are lacking. Power is epileptic and highly unreliable and income per head is low. Savings and investment is also low in Nigeria amongst others.

The most disturbing and intractable problem is the high rate of corruption and theft, the lack of ethics, unreliable oversight and audit reports in Nigeria, as auditors keep finding discrepancies in public sector accounts. Other problem faced by auditors are the investigation, attempts to influence or derail their report by political forces, the large amounts of moneys involved and the sensitivity of the Public sector investigated (JoelFont, 2009).

Aigheysi (2013), is of the view that for a resource - rich nation like Nigeria having about 70% of its aggregate population living in abject poverty conditions, while its national infrastructures are in deplorable states, and whose power-sector is waning, it would be expected that the share of capital expenditure to total expenditure will be greater than that of re-current expenditure, but this has not been the case for Nigeria. As the very high rates of unemployment, illiteracy rate, poverty rate (evidenced in the number of people living in shanties, with little or no access to quality education, Medicare, potable water, etc.), low human development index, etc., do not match the ever growing expenditures dominated by recurrent expenditure, though statistics have shown that the growth rate of the nation's economy had been impressive in recent times. This goes to show that the country has been experiencing jobless growth and growth without development. It also shows that a large

percentage of Nigeria's population does not benefit from the expenditures of her government. Thus the intended objectives and goals of government expenditure have been largely defeated.

The foregoing problems make this study increasingly compelling and imperative in order to determine the impact of internal audit quality on expenditure efficiency in Rivers State.

Therefore, the following are the specific objectives of the study:

- To evaluate the influence of Internal Auditing Procedures on Public Expenditure Value in Rivers State..
- To determine the influence of Internal Auditing Rules on Public Expenditure Value in Rivers State.
- To ascertain the influence of Internal Auditing Procedures on Public Goods of public sector in Rivers State.
- To ascertain the influence of Internal Auditing Rules on Public Goods in Rivers State.
- To estimate the influence of the Administrative culture on the interrelationship between Internal Audit Quality and Public Expenditure Efficiency.

Literature Review

The relevant literature in this study is reviewed under the following subheadings:

Theoretical Framework

The baseline theories of this study are drawn from Agency Theory, Deontology Theory and Teleology Theory as follows:

Agency Theory

Agency Theory according to Kaliski, (2001), is a theory that deals with the people who own a business, and all others who have interest in it. The agency theory postulates that the day to day running of the business enterprise whether public or private is carried out by managers as agents who have been engaged by the owners of the business. Theory is on the notion of the principle of two sided transactions which holds that any financial transactions involve parties both acting in their own best interest but with different expectations.

Agency theory and the internal audit as propounded by Adams (1994) is one of the theoretical framework that guided this study. Agency theory is extensively employed in the accounting literature to explain and predict the appointment and performance of external auditors and financial consultants. He argued that, agency theory also provides a useful theoretical framework for the study of internal auditing function. He also proposed that agency theory not only helps to explain and predict the existence of internal audit but that is also helps to explain the role and responsibilities assigned to internal auditors by the organization and that agency theory predicts how the internal audit function is likely to be affected by organizational change. He concludes that agency theory provides a basis for rich research, which can benefit both the academic community and internal auditing profession. This theory no doubt relates to this study as it helps to explain the role and responsibilities of internal auditors which if methodically applied would help to improve financial performance in tertiary institutions in Nigeria.

Deontology Theory

Asuquo and Akpan (2012) posit that this is a theory of duty or obligation; where ethical theories are formulated on deontological basis, an ethical requirement is justified because it is a good theory in itself. The ethical requirement is based on the "act" and whether it is right or not. An example of the application of this basis is the ethical requirement for professional integrity as this connotes a sense of duty or moral obligation to act truthfully or honestly.

Teleology Theory

The Theory of Teleology is concerned not with the act itself but rather with the consequences of the particular act. Hence it is sometimes referred to as "end-based ethics" or consequentialism." Where ethical theories are formulated on teleological basis the ethical requirement on its own may neither be good nor bad in itself but the intended result of applying it is considered good. An example of the application of teleological basis on ethical requirement is when one considers the end as justifying the means.

Stakeholder theory

Stakeholder theory according to Fanta et al (2013), is a popular theory of Governance in the public sector which originated from the management discipline and developed subsequently to include corporate accountability to a broad range of stakeholders (Jensen and Meckling, 1976). Unlike the agency theory, whereby managers are predominantly responsible for satisfying the interests of shareholders, stakeholder theory maintains that managers in organizations are not only responsible for the interests of shareholders but also for a network of relationships to serve which includes the suppliers, employees and business partners (Jensen and Meckling, 1976). According to stakeholder theory decisions made regarding the company affect and affected by different parties in addition to stockholders of the company. Hence, the managers should on the one hand manage the company to benefit its stakeholders in order to ensure their rights and their participation in decision making and on the other hand the management must act as the stockholder's agent to ensure the survival of the firm to safeguard the long term stakes of each group (Fontaine et al, 2006).

Stewardship theory

Another fundamental theory is the stewardship theory which originated from sociology and psychology. The stewardship theory posits that managers are not driven by individual goals and objectives but rather they are stewards, whose causes are aligned with the objectives of their principals and shareholders (Davis et al, 1997); this theory as opposed to the agency theory which claims on the other hand that conflict of interest between managers and shareholders is inevitable unless appropriate structures of control are put in place to align the interests of managers and shareholders (Jensen and Meckling, 1976). The stewardship perspective suggests that stewards (managers) are satisfied and motivated when organizational success is attained even at the expense of the stewards' personal goals (Abdullar and Valentine, 2009). Furthermore, while the agency theory suggests that shareholder interests will be protected by separating the posts of board chair and CEO, the stewardship theory argues that shareholder interests will be maximized by assigning the same person to the posts of board chair and CEO to give more responsibility and autonomy to the CEO as a steward in the organization (Bozec and Bozec, 2007).

To implement this study on Internal Audit Quality and Expenditure Efficiency in the Public Sector: the following Dimensions (dependent) and Measures (independent variables) are shown in a conceptual form.

The Conceptual framework comprises of three key variables which includes the predictor variable; the criterion Variable; Emotional Labour and the moderating variable; Organizational culture as shown below:

Conceptual Framework
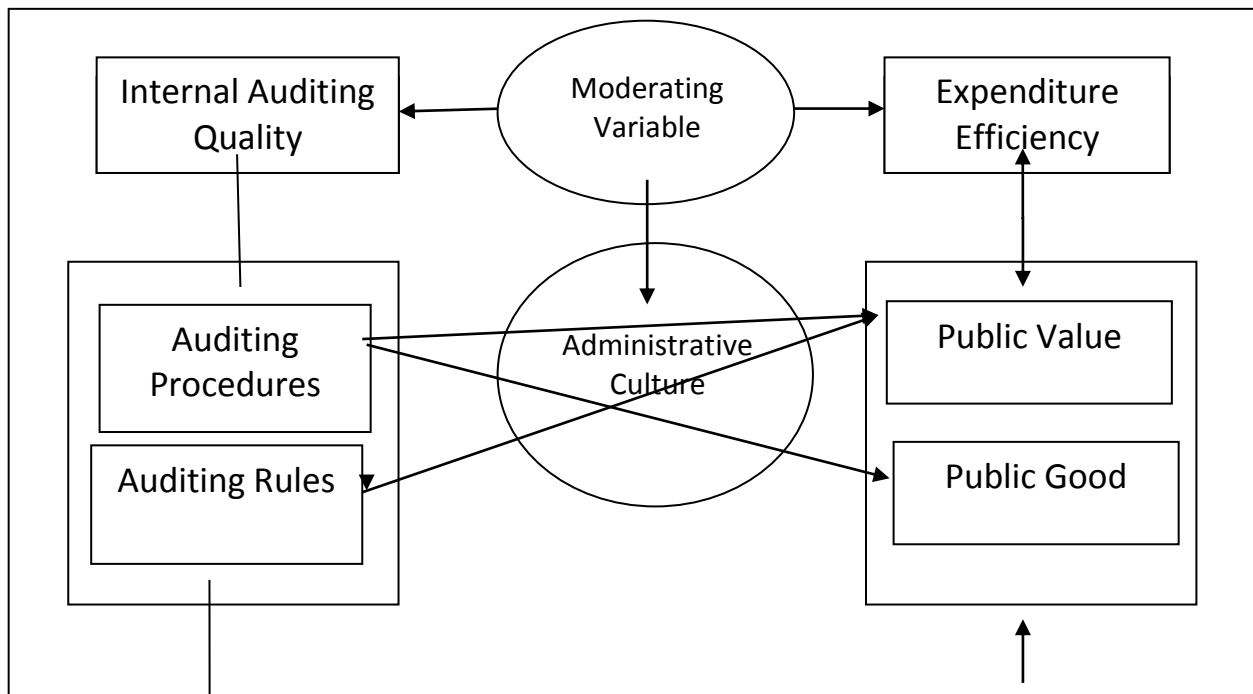
Source: Conceptualized by the Researcher (2017)

The Dimensions which represents the independent variables (Internal Auditing Quality) were adapted in line with the work of Ebimobowei and Kereotu (2011) while the measures representing the dependent variables (Expenditure Efficiency) are adapted in line with the work of Jacobs (1992).

Conceptual Literature Review

Essentially, the role and features of internal Auditors according to Millichamp and Taylor (2012) are to:
  i.   add value, quality and improve an organization's operations;
 ii.   help organization to accomplish desired objectives;
iii.   apply strategy of systematic and disciplined approach to evaluate and improve the effectiveness of risk management;
iv.   effect internal controls and efficient governance process, ethical standards, performance management and accountability;
 v.   provide Audit Committee and the Board of Directors with relevant information about whether risks have been properly managed or not;
vi.   help management to proactively identify potential risks and problems, both financial and operational and take care of them before their actual occurrence.

The foregoing role of internal auditor cannot be over emphasized because the external auditor needs to obtain a thorough understanding of the internal Auditor's functions and work done in order to know the extent of reliance on his work and also to enable him plan his audit work and it procedures (Millichamp & Taylor 2012).

The responsibilities of government auditors in Rivers State and Nigeria in general are derived from Financial Regulations No. 72 Vol 96 of 2009 and section 79 of the 1979 Constitution which simply stated that the Auditor-General shall audit the accounts of the federal government and report to the National Assembly. As stated in chapter 6, the constitution says nothing about the nature of the audit, or how it should be carried out. The issue of the Financial Regulations is borne out of the concern of government to ensure that requisite rules and regulations that would guarantee accountability, probity and transparency in the management of public funds and resources of government arc put in place.

Therefore, the essential features of an audit according to Omopariola (2015) are as follows:

1. to make a critical review of the system of book keeping, accounting and internal control,
2. to make such tests and enquiries as the auditors consider necessary to form an opinion as to the reliability of the records as a basis for the preparation of accounts;
3. to compare the final accounts with the underlying records in order to see whether they are in accordance therewith; and
4. to make a critical review of the final accounts in Order that a report may be made stating whether, in the opinion of the auditors, the accounts are presented and the items are described in such a way that they show not only a true but also a fair view and given in the prescribed manner, the information required by law

Empirical Literature review

David (1999) found that ''Internal Auditing Rule is a manner of furnishing reasonable assurance that internal accounting control procedures are being applied as prescribed so that the auditor is assured of the validity of underlying evidence based on laws regulating audit''. Thus, any exceptions to compliance must be noted.

Underlying evidence comprises an examination of the accounts themselves including reviewing the journals, ledgers, and worksheets. If the compliance tests provide evidence that controls are functioning properly, the underlying evidence is deemed reliable. Thus, the following three Internal Auditing Rules are typically used in conducting valid and reliable audits:
1) Inquiry of personnel regarding the performance of their duties.
2) Observing personnel actions, and
3) Inspecting documentation for evidence of performance in conducting employee functions.

An example is examining invoices to ensure that receiving documents and proof of delivery are attached when the invoices are presented for payment and events for the whole year. Compliance tests may be conducted on a subjective or statistical basis.

Recent case studies on Internal auditing in Belgium illustrate the importance of the control environment when studying internal auditing practices. Saren and De Belde (2006) expected that when an association seeks after honesty and clear moral qualities reflected in a formal implicit rules/morals, the internal audit capacity will take a more noteworthy significance. Internal control frameworks add to administrative adequacy as well as vital

obligations of corporate top managerial staff. Accounting literature likewise emphasizes the importance of an organization's integrity and ethical values in maintaining an effective control.

A focus on integrity and ethical values was the principal contribution of internal control – integrated framework published by COSO on fraudulent financial reporting. To trigger autonomy and uprightness of Auditors and Accountants, the Accountancy calling all inclusive has a report called the code of Ethics issued by the International Federation of Accountants (IFAC). On account of Nigeria, there is a code of behaviors issued by the Institute of Chartered Accountants of Nigeria (ICAN). This code contains some moral benchmarks which individuals are relied upon to consent (Kalu 2011). Performance alludes to the capacity to work effectively, benefit, survive development and respond to the natural public doors and dangers (Mawanda 2008). In this manner, performance is measured by how productive an association is being used of resources in accomplishing its destinations. It is the measure of accomplishment accomplished by an individual, group establishment or process. Hitt, et al (1996) trusts that many firms low performance is the aftereffect of inadequately performing resources.

However, appropriate performance measures are those which enable organizations to direct their actions towards achieving their strategic objectives. Verschor (1999) be that as it may, said other budgetary measures and incorporate estimation of long haul speculation, monetary soundness, and utilization of corporate resources. He likewise discusses non money related performance measures and incorporate; advancement, capacity to draw in, create and keep capable individuals, nature of administration, nature of items or administrations and group and ecological obligation. Hitt, el al (1996) specify bookkeeping based performance utilizing three pointers; Return on Resources (ROA), Return on Equity (ROE), and Return on Sales (ROS). Every measure was figured by isolating net wage by aggregate resources, add up to normal (conventional) value, and aggregate net deals, seperately. Mawanda (2008) also identified other measures of financial performance to include;

Whittington and Pany (2001), discovered that the comprehensiveness of internal controls in addressing the achievement of objectives in the areas of financial reporting, operations and compliance with laws and regulations. They additionally noticed that, internal control likewise incorporates the program for get ready, confirming and conveying to the different levels of administration those present reports and investigations that empower official administration to keep up control over the assortment of exercises and capacities that are performed in an association. They specified internal control gadgets to incorporate; utilization of budgetary strategies, creation models, representative preparing, among others. According to Morris, J. J. (2011), enterprise resource planning systems provide a mechanism to deliver fast, accurate financial reporting with built-in controls that are designed to ensure the accuracy and reliability of the financial information being reported to owners.

Research Methodology

The following are the employed procedures in addressing the research objectives:

Research Design

For the purpose of this study, the Cross-Sectional Survey design was used which is an aspect of the quasi-experimental research design as it seeks to evaluate multiple variables at a single time period.

Population for the Study

The Population of this study was drawn from the management of Public organizations/Institutions in Rivers State, which includes all ministries and parastatals.

Sample Size

This study utilized the non-probability sampling technique. As it seeks to carry out the through a process that does not give all the individuals in the population equal study based on the convenience of the researcher as the study is carried out within the confines of Rivers state. The selected public organizations in Rivers state includes: Rivers State Sustainable Development Agency, Greater Port Harcourt Development Authority, Rivers State Civil Service commission, Braithwaite Memorial Specialist Hospital, Rivers State Broadcasting Corporation and Rivers State Television Authority.

Sampling Technique:

The sample size was determined by using the Taro Yamanes formula at a 0.05 level of significance that is, 95% confidence level. The Taro Yamanes Formular is shown as:

$$n = \frac{N}{1 + N(e)^2}$$

Where:
n = the sample size to be determined
N = the population of the study
e = Limit of the error acceptable for the study = 5%
1 = constant

The population of this study was obtained by selecting 18 management staff from eight public parastatals located in Rivers State. {That is, 18 x 8 gave 144 population of study). Therefore, using the Taro Yamene Formula Above, we will have a situation where:

n = ?
N = 144
1 = Constant unit
e = 0.05

$$n = \frac{144}{1 + 144(0.05)^2}$$

$$n = \frac{144}{1 + 144(0.0025)}$$

$$n = \frac{144}{1 + 0.3575}$$

$$n = \frac{144}{1.3575}$$

$n = 105.34 \, \Omega \, 105$ = approximately <u>106</u>.

This signifies that 106 questionaires will be distributed as deciphered above and distributed below:

S/N	Public Institution	Number of Respondents
1	Rivers State Sustainable Development Agency	18
2	Greater Port Harcourt	18

	Development Authority	
3	Rivers State Civil Service commission.	17
4	Braithwaite Memorial Specialist Hospital	19
5	Rivers State Broadcasting Corporation.	17
6	Rivers State Television Authority.	17
	TOTAL	106

Source: Public Sector Information Portal (2017).

Data Collection Method

This study utilized the primary source of data which was gotten from the respondents via a carefully structured questionnaire and the secondary data which will be culled from textbooks, articles, journals, online publications and interviews.

Operational Measures of Variables

In this study, our independent variable is internal audit and will be measured using: Internal Auditing Procedures and Internal Auditing Rules. While the Dependent variable, Expenditure Efficiency was measured using Public Value and Public Good. Both variables was ranked to enable the researcher determine the existence of correlation.

The responses modes will be based on the 5 point Likert scale ranging from 5= Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree and 1 = Strongly Disagree.

Specifically, The Dimensions necessited 10 questions (items) which were adapted from the items of Akhigbe et al., (2014), but were refined to a 5 point scale as it originally consists of a 4 point scale to bring it to unison with the Measures which will be entails 6 questions (3 each) adapted from the work of Odia, (2014)

Validity and Reliability of Research Instruments

Content Validity: in undertaking this form of validity test, The employed questionnaire of the research was subjected to validity test to ensure that the utilized instruments are capable of testing what it is expected to test in this study.

Construct Validity: This validity came via the pilot testing which was carried out using 3 staffs in the selected public firm, and involved a miniature statistical analysis, towards testing the sufficiency of the dimensions and measures as it pertains to the underlying topic, Their response led to the modification of some items prior to the administration to the respondents, Alpha values of 0.70 and above will be accepted to ensure a higher set of reliability amongst employee variables.

Reliability Statistics

Cronbach's Alpha	N of Items
.920	18

Based on the reliability output above, it can be deduced that the Cronbach Alpha result displays a strong reliability level of 0.920 which is greater than the base line measure of 0.7, therefore the study displays a heightened sense of reliability.

Data Analysis Technique

The Spearman's rank order correlation coefficient will be used to analyse the data obtained from the questionnaire which will enable the researcher examine the relationship between of Selected Public Sector Organizations in Rivers State. All Statistical analysis will be carried out using the Statistical Package for Social Sciences (SPSS) version 22.

Decision Criteria: for Spearman's rank order correlation coefficient is:
Reject null hypothesis if Spearman's rho coefficient is bigger than critical value (CV)
Fail to reject null hypothesis if Spearman's rho coefficient is smaller or equals to critical value

Criteria	Decision
$r_s > CV$	Reject the null hypothesis
$r_s \leq CV$	Fail to reject the null hypothesis

Data Analysis

This section using descriptive and inferential statistical tools empirically examines the association between internal audit and Expenditure Efficiency of selected public sector organizations in Nigeria. This section of data presentation is divided into three sub-sections, namely – the demographic, the univariate and the bivariate analysis.

Univariate Analysis

The next section provides an explanation of the various ways data from the questionnaire were analyzed.

Questionnaire Statistics

The population for the study targeted all Public Sector Staff of the Registered Public companies in Port Harcourt. 105 questionnaires were distributed based on the estimated sample of 143, out of a total of 105 (100%) questionnaires copies administered, 94 (94.94%) copies were successfully retrieved; thereafter, the retrieved copies were examined for errors, missing data, blank questionnaire and double entries. After the cleaning process, only 91 (91.91%) of the questionnaire copies were considered useful and valid for inclusion in the study.

Demographic data

In this subsection, the sample characteristic is examined using the frequency and percentage descriptive statistical tools. Variables are herein scaled on the nominal and ordinal scale this allowing for only exploratory analysis through descriptive methods entailing the use of charts and contingency tables. 5 characteristics of the sample were considered relevant and analyzed: these are name of institution, gender, respondent level, marital status and age.

Table 1 Questionnaire distribution and retrieval

Questionnaire copies	Frequency	Percentage (%)
Administered	105	100
Retrieved	94	89.5

| Bad copies | 3 | 2.9 |
| Usable copies | 91 | 86.7 |

Source: Research data, 2017

Below are the tabular presentation of the questionnaire frequencies and their various explanation.

Demographic data

In this subsection, the sample characteristic is examined using the frequency and percentage descriptive statistical tools; variables are herein scaled on the nominal and ordinal scale with distribution expressed through contingency tables and the use of charts. Five (5) characteristics of the sample were considered relevant and analyzed; the items included are as follows: the name of institution, gender of respondent, level of respondent, marital status and the year of institution establishment.

Table 2: Name of Institution

|		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Rivers State Sustainable Development Agency	10	11.0	11.0	11.0
	Greater Port Harcourt Development Authority	17	18.9	18.9	29.9
	Rivers State Civil Service commission.	17	18.9	18.9	48.8
	Braithwaite Memorial Specialist Hospital	18	19.8	19.8	68.6
	Rivers State Broadcasting Corporation.	12	13.2	13.2	87.5
	Rivers State Television Authority.	17	18.9	18.9	100.0
	Total	91	100.0	100.0	

Source: Research data, 2017
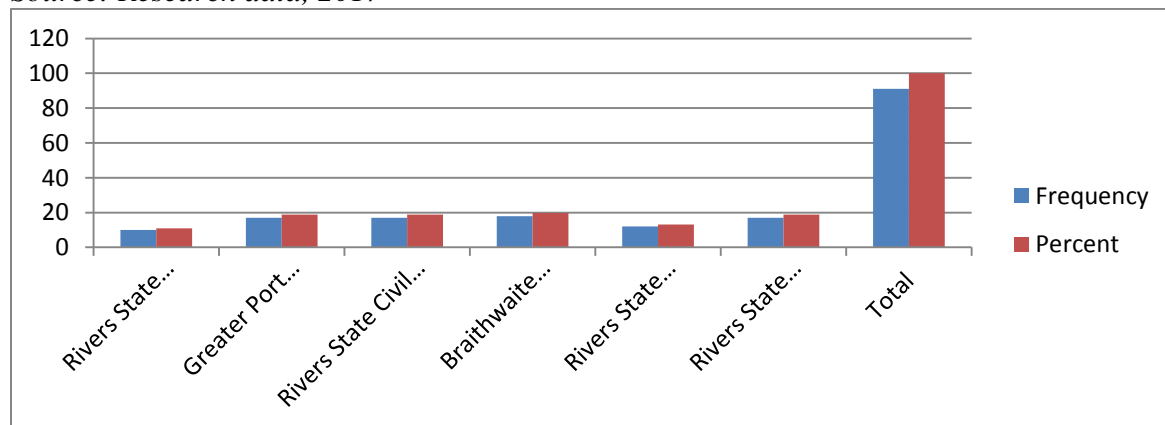
Figure .1 Chart showing name of institution.

Table 4.2 and figure 4.1; illustrate the name of the sample Public sector institution distribution of the study with 10 (11%) respondents working in Rivers State Sustainable Development Agency, the most respondent being a total of 18 (19.8%) work in Braithwaite Memorial Specialist Hospital, 17 (18.9%) respondents work in Greater Port Harcourt Development Authority, Rivers State Civil Service commission and Rivers State Television Authority respectively while 12 (13.2%) respondents work in Rivers State Broadcasting Corporation.. The researcher tried to ensure an even distribution on questionnaire but was constrained by firm size and localization of the Public Sector industries within the state.

Table 3: Gender of Respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	48	47.8	47.8	47.8
	Female	43	52.2	52.2	100.0
	Total	91	100.0	100.0	

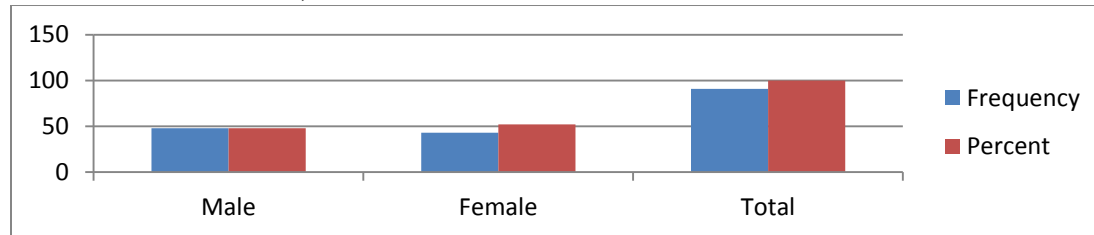*Source: Research data, 2017*

Figure .2: Chart showing gender of respondents

Table 4.3 and figure 4.2; illustrates the gender classification of respondents with 96 males respondents (47.8%) and 43 females respondents representing 52.2% of total respondents; as majority of employees were Largely Females who worked in non-masculine divisions in the sample institutions and were easier to access.

Table 4.4: Respondents marital status

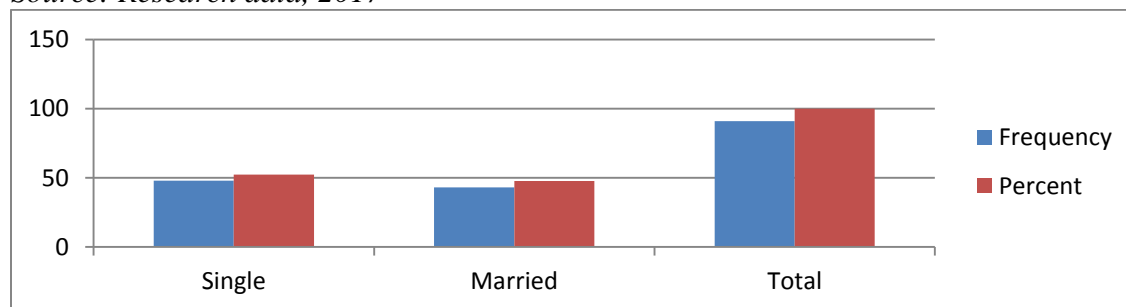|		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	48	52.2	52.2	52.2
	Married	43	47.8	47.8	100.0
	Total	91	100.0	100.0	

Source: Research data, 2017

Figure 3: Chart showing respondents marital status

Table.4 and figure 4.4 (Appendix) illustrates the respondents marital status, as a big proportion of 52.2% of the respondent indicating a total of 48 employees were single, while 47.8% of the respondent representing a total of 43 respondent were married as none were divorced or widowed (0%).

Table .5   Age Bracket of Respondents

Which of the following age bracket do you belong?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	21-30 Years	21	23.1	23.1	23.1
	31-40 Years	36	39.6	39.6	62.6
	41-50 Years	30	33.0	33.0	95.6
	50 and above	4	4.4	4.4	100.0
	Total	91	100.0	100.0	

Source: Research data, 2017

Majority of employees feel with the 31 to 40 age bracket based on 36 (39.6%) respondents, while the second bigger group with 30 respondents were observed to be between 41 to 50, 21% of respondents are within the age bracket of 21-30, while 4 respondents were between were 50 years and above.

It can be deciphered that majority of employees in the Public Sector are above 30 (especially those in the managerial and senior department).
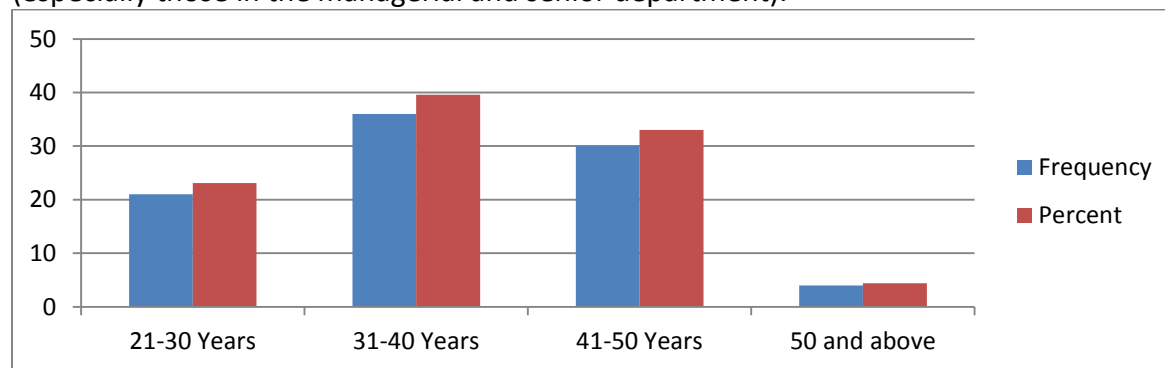

Figure 3: Chart showing Age Bracket of Respondents

Table .6   Duration of Employment of Respondents
How long have you been working with your company?

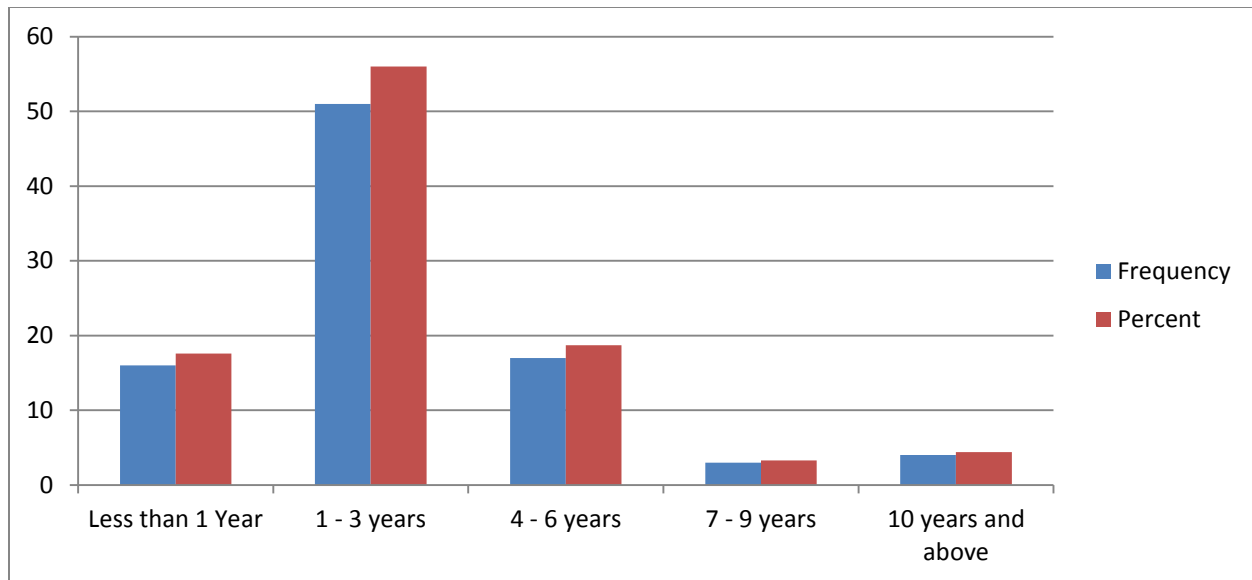|		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 Year	16	17.6	17.6	17.6
	1 - 3 years	51	56.0	56.0	73.6
	4 - 6 years	17	18.7	18.7	92.3
	7 - 9 years	3	3.3	3.3	95.6
	10 years and above	4	4.4	4.4	100.0
	Total	91	100.0	100.0	

Source: Research data, 2017

Figure 4: Chart showing Duration of Employment of Respondents

In table 4.8 above, it can be seen that most of the respondents have stayed for more than a year to three as answered by 51 respondents, while 17 respondents were registered to have stayed for 4-6 years, 16 respondents have stayed for less than a year, 3 respondents have started for 7 to 9 years while only 4 respondents have stayed for 10 years and above.

This shows that the average survival of these firms is majorly below 6 years, as a cumulative percentage of 95.6% of respondents fast food firm are within the age bracket of 1 to 9 years.

Table 7: Respondents marital status
What is your marital status?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	16	17.6	17.6	17.6
	Single	11	12.1	12.1	29.7
	Divorced	22	24.2	24.2	53.8
	Widow	20	22.0	22.0	75.8
	Widower	22	24.2	24.2	100.0
	Total	91	100.0	100.0	

Source: Research data, 2017.

The above result shows that 17.6% of respondents are married, 12.1% of respondents are single, 24.2% consisting of the highest population respondents are divorced, while 22% are widowed and 24.2 are widowers.

Internal Auditing

Analysis within this section examines data distribution for the predictor variable – organizational justice and its dimensions (Internal Auditing Procedures and Internal Auditing Rules). All three variables are measured on a 3-item instrument with indicators scaled on a 5-point Likert Scale ranked from strongly agree (5) to strongly disagree (1).

Internal Auditing Procedures

Presented below is the descriptive statistics for Internal Auditing Procedures Component of Internal audit with central tendency and response disparity for each indicator.

Table 4.8: Internal Auditing Procedures Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
There is the presence of a clearly define Internal Auditing Procedure in my firm.	91	1	5	2.82	1.436
The Procedures are usually adhered to by the internal and external auditors.	91	1	5	3.05	1.339
Internal Auditing Procedures are done to suit the values and missions of the firm.	91	1	5	3.03	1.367
Valid N (listwise)	91				

Source: Research data, 2017

Table 4.8 above illustrates the descriptive statistics for the indicators of Internal Auditing Procedures component statistics which examines using multiple items (3-items for each variable) the participant's and respondents view on the firms Internal Auditing Procedure with an overall mean score; x = 2.97; The coefficient implies that on the average, most of the respondents agree that there is a fair existence of Internal Auditing Procedures as experienced by respondents in the sample public sector firms.

Internal Auditing Rules

Presented below is the descriptive statistics for Internal Auditing Rules component of internal audit with central tendency and response disparity for each indicator

Table .9   Internal Auditing Rules Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
There are succinct Internal Auditing Rules within the firm.	91	1	5	3.00	1.414
There are measures in place to ensure adherence to Internal Auditing Rule in firm.	91	1	5	2.95	1.441
Internal Auditing Rules are usually followed by auditors in firms.	91	1	5	3.19	1.488
Valid N (listwise)	91				

Source: Research data, 2017

Table 9 above illustrates the descriptive statistics for the indicators of Internal Auditing Rules component statistics which examines using multiple items (3-items for each variable) the participant's and respondents view on the firms Internal Auditing Procedure with an overall mean score; x = 3.04. The coefficient implies that on the average, most of the respondents

agree that there is a fair practice of Internal Auditing Rules as experienced by respondents in the sample public sector firms.

Expenditure Efficiency

Analysis within this section examines data distribution for the criterion variable – Expenditure Efficiency and its dimensions (Public Value and Goods). All three variables are measured on a 3-item instrument with indicators scaled on a 5-point Likert Scale ranked from strongly agree (5) to strongly disagree (1).

Public Value

Presented below is the descriptive statistics for the Public Value component of Expenditure Efficiency with central tendency and response disparity for each indicator

Table 10   Public Value Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Administrators present rightful reasons and give complete information regarding the decisions that concern me	91	1	5	3.00	1.423
Administrators express the decisions made that concern me in a polite and friendly manner.	91	1	5	3.07	1.377
Administrators communicate in the same way with all employees	91	1	5	3.20	1.457
Valid N (listwise)	91				

Source: Research data, 2017

Table 10 above illustrates the descriptive statistics for the indicators of Public Value component statistics which examines using multiple items (3-items for each variable) the participant's and respondents view on the firms Internal Auditing Procedure with an overall mean score; x = 3.09. The coefficient implies that on the average, most of the respondents agree that there is a fair practice of Public Value as experienced by respondents in the sample Public Sector firms.

Public Good

Presented below is the descriptive statistics for the Public Good component of Expenditure Efficiency with central tendency and response disparity for each indicator

Table 11: Public Good

	N	Minimum	Maximum	Mean	Std. Deviation
Efficient Audit results to the creation of Public Goods in the nation.	91	1	5	3.16	1.421

	N	Min	Max	Mean	Std. Dev
The nations benefits greatly from internal audit via an increase in the level of public goods in the system.	91	1	5	3.05	1.408
Internal auditors aids in creating Public Goods and services indirectly	91	1	5	3.00	1.362
Valid N (listwise)	91				

Source: Research data, 2017

   Table 4.11 above illustrates the descriptive statistics for the indicators of Public Good component statistics which examines using multiple items (3-items for each variable) the participant's and respondents view on the firms Internal Auditing Procedure with an overall mean score; x = 3.07. The coefficient implies that on the average, most of the respondents agree that there is a fair existence of Public Good by firms as experienced by respondents in the sample Public Sector firms.

Bivariate Analysis

   A total of four hypothesized bivariate associations were postulated in the study; all stated in the null form of no association. Data in this section is analyzed using the spearman rank order correlation coefficient at a 95% confidence interval. Analysis is based on a significant criterion of 0.05 for the acceptance (p > 0.05) or rejection (p<0.05) of the null hypotheses.

Table 13 Spearman Correlation Matrix

			Public Value	Public Goods	Structure	Internal Auditing Rule	Internal Auditing Procedure
Spearman's rho	Public Value	Correlation Coefficient	1.000	.972[**]	.990[**]	.994[**]	.960[**]
		Sig. (2-tailed)	.	.000	.000	.000	.000
		N	201	201	201	201	201
	Public Goods	Correlation Coefficient	.972[**]	1.000	.968[**]	.969[**]	.948[**]
		Sig. (2-tailed)	.000	.	.000	.000	.000
		N	201	201	201	201	201
	Structure	Correlation Coefficient	.990[**]	.968[**]	1.000	.991[**]	.964[**]
		Sig. (2-tailed)	.000	.000	.	.000	.000
		N	201	201	201	201	201
	Internal Auditing Rule	Correlation Coefficient	.994[**]	.969[**]	.991[**]	1.000	.904[**]
		Sig. (2-tailed)	.	.000	.000	.000	.000
		N	201	201	201	201	201

Internal Auditing Procedure	Correlation Coefficient	.960**	.948**	.964**	.904**	1.000
	Sig. (2-tailed)	.	.000	.000	.000	.000
	N	201	201	201	201	201

Source: Research data, 2017

Hypothesis One

H_{O1}: There exists no significant relationship between Internal Auditing Procedure and Public Value of the Organizations in Nigeria.

Tabl 13 illustrated the analysis for the association between Internal Auditing Procedure and Public Value where rho = .948 and p = 0.000. The findings shows a very strong and significant association between both variables (where ** implies significance at 0.01 and p < 0.05; therefore based on the criterion for null hypothetical statement rejection of p < 0.05, we reject the null and restate that there is a significant relationship between Internal Auditing Procedure and Public Value .

Hypothesis Two

H_{O2}: There is no significant relationship between Internal Auditing Procedure and Public Good of the Organizations in Nigeria.

Table 4.13 illustrated the analysis for the association between Internal Auditing Procedure and Public Good where rho = .960 and p = 0.000. The findings shows a very strong and significant association between both variables (where ** implies significance at 0.01 and p < 0.05); therefore based on the criterion for null hypothetical statement rejection of p < 0.05, we reject the null and restate that there is a significant relationship between Internal Auditing Procedure and resource acquisition.

Hypothesis Three

HO3: There is no significant relationship between Internal Auditing Rules and Public Value of the Organizations in Nigeria.

Table 4.13 illustrated the analysis for the association between Internal Auditing Rules and Public Value where rho = .969 and p = 0.000. The findings shows a very strong and significant association between both variables (where ** implies significance at 0.01 and p < 0.05); therefore based on the criterion for null hypothetical statement rejection of p < 0.05, we reject the null and restate that there is a significant relationship between procedure and Public Value.

Hypothesis Four

H_{O4}: There is no significant relationship between Internal Auditing Rules and Public Good of the Organizations in Nigeria.

Table 4.13 illustrated the analysis for the association between Internal Auditing Rules and Public Good where rho = .994 and p = 0.000. The findings shows a very strong and significant association between both variables (where ** implies significance at 0.01 and p < 0.05); therefore based on the criterion for null hypothetical statement rejection of p < 0.05, we

reject the null and restate that there is a significant relationship between Internal Auditing Rules and Public Good.

Hypothesis Five

H$_{O5}$: There is no significant influence of Organizational Structure on the association between internal audit and public sector organizational performance.

Table 4.13 illustrated the analysis for the association between Organizational Structure on the association between Internal audit and public sector organizational performance where rho = 990 and p = 0.000. The findings shows a very strong and significant association between both variables (where ** implies significance at 0.01 and p < 0.05); therefore based on the criterion for null hypothetical statement rejection of p < 0.05, we reject the null and restate that there is a significant relationship between interactional and resource acquisition.

Summary of Findings

In summary, it was discovered that:

- Internal Auditing Procedure exhibited a significant relationship to Public Value of Public Sector firms in Port Harcourt, Rivers state.
- Internal Auditing Procedure exhibited a significant relationship to Public Value of Public Sector firms in Port Harcourt, Rivers state.
- Internal Auditing Rule exhibited a significant relationship to Public Value of Public Sector firms in Port Harcourt, Rivers state.
- Internal Auditing Rule exhibited a significant relationship to resource acquisition in Port Harcourt, Rivers state.
- Organizational Structure did not influence the association between internal audit and Expenditure Efficiency, Rivers state.

On the average, a strong significant relationship was found to exist between internal audit and Expenditure Efficiency.

Conclusion and Recommendations

In view of the findings, this study concludes that internal audit has strong influence on public expenditure efficiency and if the internal audit quality rules and procedures are properly observed, public expenditure efficiency will be positively enhanced and improved.

Conclusions

It can thus be concluded that Internal audit and Expenditure Efficiency in the Public Sector with special focus on selected public sector organization has a great level of association as deciphered by the statistical analysis as carried out by the study as it was discovered that Internal Auditing Procedure exhibited a significant relationship to Public Value of Public institutions in Port Harcourt, Rivers state and Internal Auditing Procedure exhibited a significant relationship to resource acquisition of Public institutions in Port Harcourt, Rivers state. Internal Auditing Rule exhibited a significant relationship to Public Value of Public institutions in Port Harcourt, Rivers state, Internal Auditing Rule exhibited a significant relationship to resource acquisition in Port Harcourt, Rivers state and Organizational Structure did not influence the association between internal audit and Expenditure Efficiency, Rivers state.

Recommendations

From the findings and conclusion of this study, this study recommends that:

1. Internal audit should be made a mandatory requirement in the public sectors over routine internal audit.
2. Internal Auditor should have unrestricted access to the highest level of management and his report should be regularly published and acted upon so that transparency, accountability, value for money, prudent spending, cost effectiveness and regularity will be highly achieved in the public service;
3. Internal audit report should be published so that transparency and accountability will be highly achieved.
4. There should be stringent punishment for offenders to serve as deterrent to others.
5. The professional bodies in Nigeria like ICAN and ANAN should organise necessary training programme on Internal Audit to their members in practice.
6. The administration of State, Federal and various Local Government Councils should aid the auditors by introducing in their territory strict Internal checks and efficient audit, motivation of Government officials, mapping out adequate reward for detecting fraud and regular training of staff.

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