

MODERNIZATION AND INTERNAL AUDIT QUALITY OF PUBLIC SECTOR ENTITIES IN EDO STATE, NIGERIA

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Abstract

The study examined modernization and internal audit quality in the public sector, Edo State Nigeria. The objective of the study was to determine the significance of technology, governance structure, competence, integrity, independence and objectivity influenced internal audit quality of the public sector, Edo State, Nigeria. The population was 96 MDAs and 72 MDAs as samples using the Krejcie and Morgan techniques. Three hundred and eighty questionnaires were distributed and three hundred and sixty (360) were retrieved for analysis resulting to 94.7%. The dependent variable was Internal Audit Quality while independent variables were governance structure, technology, competence and integrity, independence, and objectivity. Findings of the analysis showed that all coefficients tested were different from zero meaning that the model was good. Panel regression analysis (PRA) using E-Views 10.0 was used to analyze the data. The pre-test analyses are the multicollinearity and normality tests. The probability values of the Jarque-Bera statistics revealed that all variables satisfied the normality requirement because the values are greater than 5%. The investigation revealed that technology positively and significantly influenced the internal audit quality of the public sector. Governance structure positively and significantly influenced the internal audit quality. All variables of competence, integrity, independence and objectivity positively and significantly influenced the internal audit quality. The paper concluded that auditing as the language of today's corporate survival must reflect the effects and mechanism of modern approaches. It recommends that, internal audit should be independent. Internal auditing should be regularly reviewed. Staff whose integrity is in doubt should not be allowed in the internal audit department. Internal auditors should be protected legally by management, society and also government in doing their best for the establishment.

Key Words: Technology, Governance Structure, Integrity and Competence, Independence, Objectivity.

Introduction

The volume of activities and complexities in the public sector increases its risks and the internal auditor is not left out. Financial scandals and collapses have happened in several international and local corporations like World Telecom Firm of America in 2002, Enron in the United States in 2001, National Bank 2013, Banco Espirito Santo 2014, Wire Card 2020, OLX 2018, Easy Taxi 2013, Konga 2018, which goes on and on. According to Avis, Ferraz & Finan (2018), with a sense of honesty and transparency we will agree that there is a loss of confidence in such companies and their demise proved to be the disappearance of the tight internal audit (IA) and the absence of a governance system. Ikazoboh (2009) opined that traditional auditing practices became incapable of identifying and preventing unique cases of fraud in both the public and private sectors of the economy as most sophisticated individuals can use the internet to obfuscate illegal transactions and happened when the expertise is invited. John, et al. (2019) opined that the public has completely lost confidence in the ability of the profession to prevent corporate misbehavior because it often demands increased in government regulation. Auditing is about reliability, security, confidence regarding the accounts or the report subject to audit.

Sutton (2000) opined that the recent development in information and communication technology is gradually shifting the direction of financial transactions to its domain. Changes in the economy are continuous and modernization is one of the structural transformations of IT which affects a wide variety of areas resulting in being part of everyday life in many ways. Hunton (2002) opined that computers and

machines have become more powerful and are today associated with trust and accuracy and higher demand of transparency by the users of audited information because of this change in the business landscape users demand transparency within auditing.

Ntongo (2012) opined that different cases of misconduct by corporate executives made governments to put in place various Acts in Nigeria such as Finance (Control and Management) Act 1958, Audit Ordinance of 1956 or Audit Act of 1956, Company and Allied Matter Act (CAMA) 2004, Economic and Financial Crime Commission (EFCC) Act 2004, the Investment and Securities Act (ISA) 2007, the Independent Corrupt Practices Commission (ICPC) and Other Related Offences Act 2003, Bank and other Financial Institutions Act (BOFIA) 1991, Money Laundering Act 2004, Public Procurement Act 2007, Fiscal Responsibility Act 2007, the Annual Appropriation Act and many others. Despite all these Acts, the issue of financial misconduct, professional indiscipline, and many other offences are still lingering.

Ebhomielen (2002), opined that the original purpose of auditing was to find out if certain duties were met honestly with properness and in accordance to regulations and specific instructions conducted which requires auditing to be seen as a special kind of examination that secures accountability, performed by a person other than the parties involved – an objective person that compares performance with expectations and reports the result. Ikazoboh (2009) represents the opinion that audits are a necessary function in society, thereby the audit profession has to deal with constantly being criticized and a subject of debate. Brynjolfsson & McAfee (2014) opined that auditors have more opportunities to change the world than ever before not as a destiny but as a conscious decision. According to Dowling et al. (2014), modernization is therefore seen as one of the most important phenomena in recent years that will have a great impact on the audit profession, leading to changes. Janvin, et al. (2018) and Tijjani (2003), opined that how we perceive these changes are personal and may change the responses and behaviour of people working in affected organizations are either with fear and resistance of the unknown or by possible opportunities and rewards that may come with it.

Novyani (2014) opined that financial statements are the mirrors of every businesses as they represent the medium through which information on the financial positions communicated primarily to external interest groups to make different decisions based on such information. Rahmatika (2014) opined that in order to make the right decisions, the information contained in the financial statements must be accurate and reliable because the public relies on accurate, fair, truthful representations of financial statement and auditor's opinion regarding whether the statements represent the fair value of the organization is important. According to Ironkwe & Ordu (2015), auditors are expected to use their professional knowledge to overcome those ethical dilemmas that they may face as they perform their duties. Ikazoboh (1996) opined that as blood is seen as lives of every human auditors are seen as the lifeblood of business success in the application of honesty, integrity, transparency accountability, confidentiality objectivity, independence, respect, loyalty and obedience to be fully equipped for the huge task ahead of them. Julian, et al. (2015) opined that modernization has increased in relevance as technological development draws the line between what is possible and imaginable.

Han, et al. (2016), opined that technological innovations bring possibilities that make the world a new place. Arsenie, (2010) opined that modernization in society is taken place on a global scale and may currently be the strongest force of change in society making institutions that will work in the future. Thear & Abu (2016) opined that organizations have to modernize along with the circumstances to survive, whether they like it or not. Gartner (2016) opined that the term modernization refers to the modern or new ways of doing things by adapting to technologies.

Holley, (2004) opined that modernizing internal audit is an inevitable effect that cannot be avoided for the audit profession. Darwin's theory of modernization opined that it is not the strongest of the species that survives, not the most intelligent, but the ones that are most responsive to change. Gujarati, et al. (2016) concluded that, thorough understanding of the auditing phenomenon can never be achieved from a single perspective as reality is too complex and unstable because environments can be affected by human behaviour. Egbunike & Egbunike (2017), said the Accountant General has tasked all

internal auditors to improve the quality of their reports by capturing and reporting cases of financial malfeasance in the various MDAs saying henceforth he will hold them accountable for any case of fraud not reported by them at various levels. Asaolu (2013) opined that Lagos State House of Assembly concluded arrangements to strengthen the Audit Law in the state by amending it to give room for transparency. The audit department is very important and must be made to be functional and effective. Internal audit is domiciled in public finance management law. Internal auditors must do everything possible to be the 'state police' on auditing.

According to Protiviti (2018), in a bid to conform to modern trend internal auditors should be computer literates and must be vastly knowledgeable in public financial reforms and processes. The recent financial reforms in the public sector saw a move to more computerized digital public finance management. Despite internal audit, fraud and misappropriation are still on the increase particularly in the public sector. Dakki (2013) opined that, we have auditors who do not audit but they merely stamp whatever the company gives them since the company hired them, paid them and had consulting contracts with them, all led to inefficiency and loss of privilege. Novita, Imam & Tarmizi (2017) see the internal auditors as creating more problems than they are solving and see them as tools for witch-hunting and therefore as unnecessary evil. Assakaf, Samsudin & Othman (2018) see the internal auditor as the strength of organizations in ending all misallocations, misappropriations and fumbles of funds in the public sector entities. Due to the divergence opinion, there is a gap in the perception of the internal auditor's function. The internal audit has not been effective due to its traditional practice. The paper looks at modernization and internal audit quality in the public sector through critical exploration of technology, governance structure, efficiency, competence with integrity, independence with objectivity of the internal auditor.

Empirical Review

Several empirical studies have been carried out to analyze the relationship between modernization and internal audit quality of public sector entities in Nigeria.

Bouteina & Abdeslam (2021), examined modernization of the internal audit process using a risk-based method approach. The main objective is to understand the relationship between internal audit quality and financial performance. A systematic literature review was conducted based on 42 scientific research articles and doctoral dissertations selected from several databases and publication. Result showed that internal audit quality and financial performance were two widely debated research areas characterized by heterogeneity of theories and methods with need to build a universal model integrating both concepts.

Izedonmi & Adeparubi (2021) examined audit quality and public sector management in Nigeria public sector. The study used primary data, one hundred and fifty questionnaires administered to internal audit, ministries, departments, agencies, parastatals in Ondo State. The study used simple percentages; descriptive statistics and categorical least square methods were used as data analysis techniques. The findings of the study revealed that internal audit quality such as internal audit competence (COMP), internal objectivity (OBJEC), Internal audit challenges (CHAL), and internal audit performance (PERF) had a positive and significant relationship with service delivery in the selected public sector entities in Nigeria. The study recommends that the internal auditors and the public sector management team should participate actively in the management of public sector entities to enhanced managerial performance.

Assakaf, Samsudin & Othman (2018), investigated the management perception and the quality of internal audit in an organization. The study used questionnaire to collect data from the 50 ministries under investigation and used ANOVA to analyze the data. The finding was that management has a high influence on quality auditing and internal auditing can help to curb the menace of corruption. Avis, Ferraz & Finan (2018), evaluation the anti-corruption audit programs of the government specifically to check the misappropriation of public assets at the local level in Brazil and concluded that audit would be a tool that can be used to significantly reduce corruption. People elected into public offices would be

wary of involving in corrupt practices if they are aware that auditing presents a higher chance of exposing their fraudulent acts to the electorates thereby negatively affecting their chances of getting re-elected. They further posit that audit would increase their chances of getting charge for wrong-doings.

Egbunike & Egbunike (2017), investigated the challenges faced by internal auditors and used the questionnaires with a population drawn from Accountants and Auditors in the Accountant General and Auditor General of the State. Data was analyzed using the Mann-Whitney U-Test Technique. The finding indicates that independence and compliance set out rules and regulations of public fund management posed a challenge to internal auditors of public sector entities. Internal audit functions and controls help in ensuring adequate utilization of the resources at the disposal of the organization. It is particularly important when it comes to public sector organizations as there are usually low control as well as corruptions that usually plaque the organization. In light of this, effective internal auditing activities will not only enhance performance but also lead to good quality delivery to the stakeholders of the public sector entity and the general public.

Thaer & Tabar (2016) examined the effect of digitalization and financial' performance of listed firms in the USA. The study used ANOVA in the testing of the hypotheses. The results showed that adopting digitalization of new technology led to superior financial performance. The investigation revealed that there was a positive relationship between digitalization and financial' performance of listed firms in the USA. Novita, Imam and Tarmizi (2017), investigated the role of internal audit and the quality of accountability of financial reporting and used secondary data obtained from selected banks and Nigerian Stock Exchange. Regression was employed to determine the effect of internal audit quality of accountability. Findings revealed that there is no significant role played by internal audit in improving the quality of accountability of financial statement but internal control can affect accountability.

Theoretical Review and Hypothesis Development

Byrnes, et al. (2015), opined that one of the most influential theories that can be used to explain the concept of internal auditing is the Agency theory. When it comes to the issue of change in the way a particular discipline has been practised we talk about the modernization theory. The agency theory has it that Auditors act as agents to their principals with obligations to protect their interest. Adams (1994) has it that Agency theory is extensively employed in the accounting literature to explain and predict the appointment and performance of auditors. Agency theory is used to explain the relationship between external and internal auditors. Furthermore, the theory is useful for highlighting the internal auditor functions in both private and public organizations. The modernization theory originates from the ideas of Max Weber which provided the basis for the modernization paradigm and was developed by Talcott Parsons. The theory suggests that traditional societies will develop as they adopt more modern practices which elucidated the connection between the management and the internal auditors with the issues of acting in their best interest. Modernization can transform an economy from dependent to independent and become more powerful.

Policeman's theory of auditing is based purely on the arithmetical accuracy and on the prevention and detection of fraud because it makes the auditor to detect and prevent errors and fraud in organizations. It posits that the auditor has to act as a policeman with actions and intentions to watch, safeguards and protects the organizational resources so that stakeholders could benefit overall.

Egbunike & Egbenike (2017) argued that from the 1940s till now there has been shifts in audit-paradigm as compounded by recent financial statements frauds, such as those at society in general, Satyam and Ahod Enron.

Research Method

The research used a case study and structured questionnaire as the instrument for collections of data. The questionnaire is adopted from Asiedu & Deffor (2017) and modified on four points Likert scale of Strongly Agreed (SA) – 4, Agreed (A) – 3, Disagree (D) – 2 and Strongly Disagree (SD) – 1.

Information obtained included the regularity of audit exercise, the extent of the audit work, the type of audit carried out, by whom and the aim to financial' reporting system. The population of this study is made up of MDAs of the Edo State Government that belong to the public sector entities. As at 31st December 2021, the total number of established MDAs that were included in this study totaled ninety-five (95). The Sample size computation of Krejcie and Morgan is calculated based on P=0.05 where the probability of committing type 1 error is less than 5% or P? 0.05. The sample size is calculated below:

$$\begin{aligned}
 S &= \frac{x^2 NP(1-P)}{?^2(N-1)+x2P(1-P)} = \frac{1.96^2 \times 95 \times 0.5 (1-0.5)}{0.05^2(95-1)+1.96^2 \times 0.5 (1-0.5)} \\
 S &= \frac{3.8416 \times 95 \times 0.5 (1-0.5)}{0.0025 (95-1)+3.8416 \times 0.5 (1-0.5)} = \frac{364.952 \times 0.5 (0.5)}{0.0025(95-1)+3.8416 \times 0.5 (1-0.5)} \\
 S &= \frac{364.952 \times 0.5 (0.5)}{0.0025(94)+3.8416 \times 0.5 (0.5)} = \frac{364.952 \times 0.25}{0.235+3.8416 \times 0.25} \\
 S &= \frac{364.952 \times 0.25}{0.235+0.9604} = \frac{91.238}{1.1954} \\
 S &= 76
 \end{aligned}$$

From the above calculation, with a population size of 95, the size of the sample is 76. The sample is distributed as follows:

		Sample	
Ministry Sector	$\frac{22}{95}$	X 76	= 18 Ministries
Department Sector	$\frac{33}{95}$	X 76	= 26 Departments
Agency Sector	$\frac{40}{95}$	X 76	= 32 Agencies
			76
			===

Panel regression analysis (PRA), using E-Views 10.0 was used to analyze the data collected. It is adopted by the researcher because it is a scientific tool best for the type of study that considered seventy-six (76) different MDAs. The pre-test analyses are the multi-collinerity and normality tests. The model is adopted from the studies of Foroghi and Shahshahani (2012) but modified to suit the hypotheses of this study which aimed on the effect of modernization and internal audit quality of public sector entities. The model is stated thus;

$$IAQ = f(T, GOVST, INOBJ, COT) \dots \dots \dots (1)$$

$$IAQ = \beta_0 + \beta_1 TGY + \beta_2 GOVST + \beta_3 ACI + \beta_4 AIO + Ut \dots \dots (2)$$

where;

TGY = Technology

GovSt = Governance Structure

IAQ = Internal Audit Quality

AIO = Auditors' Independence and objectivity

ACI = Auditors' Competence and Integrity

$$\beta_1, \beta_2, \beta_3, \beta_4 > 0$$

Results and discussion of findings

Table 1: Respondents Demographic Distribution

S/No	Item	Frequency	Percentage
1	Age : 20-30 years	53	14.7
	31-40 years	131	36.4
	41 years and above	176	48.9
2	Working Experience: less than 6 years	49	13.6
	6-15 years	169	46.9
	15 years and above	142	39.4
3	Educational Qualification:	126	35.0
	Polytechnic/University	150	41.7
	Professional/Chartered Accountant	84	23.3
	Others		

Source: Field Work (2023)

Multicollinearity Test

To make correct inferences from the econometric analysis conducted, there was need for the test of multicollinearity among the variables. Three different methods were employed to achieve this. Gujarati (2003) and Rumsey (2007) submit that co-efficient value of 0.8 and above for an explanatory (independent) variable indicates the existence of high multi-collinearity problem between it and other variables. Furthermore, Gujarati (2003) posits that variance inflating Factor (VIF) and Tolerance value can also be used to test multicollinearity problems. A variable with VIF of above 10 or tolerance value of less than 0.1 shows there is existence of high multicollinearity between it and other variables.

Table 1 presents the results of Test which shows that all the correlations between and among variables were less than 0.50 or 50%. This indicated that there is absence of multicollinearity among and between the variables considered in this study. This means that there is no correlation between multiple independent variables which may adversely bias the result of the panel regression output.

Table 2: Multicollinearity Test

	Technology (TGY)	Governance Structure(Govt)	Competence and Integrity (ACI)	Independence and Objectivity (AIO)	Internal Audit Quality (IAQ)
Technology (TGY)	1				
Governance Structure(Govst)	.298**	1			
Competence and Integrity (ACI)	.316**	.343**	1		
Independence and Objectivity (AIO)	.221**	.329**	.407**	1	
Internal Audit Quality (IAQ)	.210**	.256**	.325**	.394**	1

The result of the mean values are greater than two (2) being a mean value for 5 likerts scale questions, hence the independent variables are good indicators for measuring internal audit's quality. Also, the probability values of the Jarque-Bera statistics revealed that all the variables satisfied the normality requirement because the values are greater than 5% (0.05).

Table 3: Summary of Descriptive Statistics and Normality Test

	ACI	AIO	GOVST	IAQ	TGY
Mean	2.054771	2.053011	2.052286	2.052714	2.054169
Maximum	5.000000	5.000000	5.000000	5.000000	5.000000
Minimum	0.000000	0.000000	0.000000	0.000000	0.000000
Std. Dev.	0.466332	0.452198	0.447051	0.451874	0.462171
Jarque-Bera	3.895047.	2.068396.	2.460442.	4.136175.	6.164849.
Probability	0.0754101	0.103000	0.0802010	0.078601	0.053127

Source : Authors' Computation (2023)

The result of the Hausman value (0.9100) was greater than 0.05, which meant that the null hypothesis was not rejected meaning that the result of the random effect was preferred to the fixed effect hence the random effect result was more desirable. This meant that the intercepts were time-variant (the value of the variable does change across time)

Table 4: Regression Result Output (Fixed and Random Effects Outputs)

Variables	Fixed Effect Result	Random Effect Result
C	0.014078 (0.000000)	0.000149 (0.7377)
TGY	0.078657 (0.000000)*	0.150765 (0.000000)*
GOVST	0.102676 (0.000000)	0.143417 (0.000000)*
ACI	0.199056 (0.000000)	0.279299 (0.000000)*
AIO	0.341523 (0.000000)	0.407501 (0.000000)*
Prob(<i>F</i> -statistic)	0.000000	0.000000
D.W stat	1.585809	1.628268
Hausman Test		0.9100 > 0.05
Cross -sections included	76	76
Number of observations	360	360

Source: Researchers' Computation (2023):

Note: *P* values in bracket () * (significant @ 0.05)

The result also revealed that the dependent variable was IAQ (internal audit quality) while the independent variables were Technology (TGY) , Governance Structure (GOVST), Audit Competence and Integrity (ACI) and Audit Independence and Objectivity (AIO). The result of Prob > F which was 0.000000 and less than 0.05 showed that all the coefficients in the model were different from zero which made the model good. The result of *DW statistic* of 1.628268 approximately 2 indicated the absence serial auto correlation which meant that the model was desirable. All the independent variables have positive-effect on the dependent variable. This is in-line with the apriori expectation or theoretical expectation.

The coefficient result of Technology (TGY) revealed that a unit increase in TGY will increase IAQ by 0.150765 units and significantly affect IAQ because the *P-value* of 0.000000 was less than 0.05. This meant that an increase in the usage of technology increases internal audit quality by 0.150765 units. This meant that technology was a good tool for internal audit qualities in the public sector.

The coefficient result of governance structure (GOVST) revealed that a unit increase in GOVST will increase IAQ by 0.143417 units and significantly affects IAQ because the *p-value* of 0.000000 was less than 0.05. This meant that an increase in the quality of governance structure will increase internal audit quality by 0.143417 units. This meant that qualitative governance structure is a good tool for internal audit quality of public sector.

The coefficient result of auditor competence and integrity (ACI) revealed that a unit increase in ACI will increase IAQ by 0.279299 units and significantly affect IAQ because the *p-value* of 0.000000 was less than 0.05. This meant that an increase in the competence and integrity of auditors increase internal audit quality by 0.279299 units. This meant competence and integrity of auditors is a good determinant for internal audit quality of the public sector.

The coefficient result of auditor independence and objectivity (AIO) revealed that a unit increase in ACI will increase IAQ by 0.407501 units and significantly affect IAQ because the *p-value* of 0.000000 was less than 0.05. This meant that an increase in auditor independence and objectivity increases internal audit quality by 0.407501 units. This meant independence and objectivity of auditors is a good correlate determinant of internal audit quality of the public sector.

Conclusion

The study was conducted to evaluate the predictive power of modernization on internal audit quality in the public sector. From the hypotheses of the study, all the dimensions used to measure modernization like technology, governance structure, auditor competence and integrity with auditor's independence and objectivity clearly showed that they have positively and significant influence on internal audit quality of public sector entities in Edo state. This is in agreement with the study of Egbunike & Egbunike (2017), who investigated the challenges faced by internal auditors in public sector audits in Nigeria and found that the independence of internal auditors in public institutions if enthroned will help improve internal audit quality in the public sector in Nigeria. Also, this study is in line with the study of Pul (2014), who investigated on the impact of internal audit management on public sector administration in South Africa and revealed that, lack of independent audit unit resources mismanagement was evident. Also, this study agreed with Novyarni (2014) who examined the influence of internal auditor competence and independence on the quality of financial reporting government and found that the competence of internal auditor primarily affects the quality of financial reporting on city government and the provincial government. Also, this study is in line with the study of Adebayo (2021) who investigated the impact of auditor's independence on the credibility of financial statements in Nigeria and concluded that there is a positive relationship between independence and the credibility of financial statements. Finally, this study is in line with the study of Nearon (2015), who investigated the effect of digitalization and internal audit function. He claimed that the audit profession must adjust even more, due to the impacts of information technology (IT) in using digital technologies they must be responsive to change in the expectation from society in-order to improved audit quality.

However, this study is contrary to the study of Novita, Imam & Tarmizi (2017), who investigated the role of internal audit and the quality of accountability of financial reporting which revealed that, there is no significant role played by internal audit in improving the quality of accountability of financial statement but internal control can affect accountability. Also, this study does not agree with the study of Sorunke (2016) who carried out an empirical investigation on local government council: issues, challenges and prospects revealed that internal audit unit did not prevent occurrences of fraud and that detection and prevention of fraud is not dependent on the internal audit independence. Also, this study disagreed with Payamta (2006), who examined the relationship between the internal auditor's

independence and the quality of financial reporting and revealed that auditors' independence does not affect the quality of financial reporting.

This study empirically investigated the influence of modernization on internal audit quality of public sector entities in Edo state. The study was guided by four (4) objectives/questions/ hypotheses. The scope of this study was 76 MDAs which existed in government as at that date. The study used survey design and a total of three hundred and eighty (380) questionnaires were distributed and after careful monitoring, three sixty (360) were retrieved. The researcher used structured questionnaires to retrieve information from the respondents. The data were analyzed using panel regression analysis (PRA) while the pre-test analyses were normality test and collinearity test. The dependent variables were internal audit quality (IAQ) while the independent variables were technology, (TGY) governance structure (GOVST), auditors' competence and integrity (ACI) and auditors' independence and objectivity (AIO) The independent variables are the measures of modernization for this study. The findings of this research study can be summary as follows:

That the empirical investigation revealed that technology positively and significantly influenced the internal audit quality of the public sector entities in the Edo State, Nigeria. The empirical investigation revealed that governance structure positively and significantly influenced the internal audit quality of the public sector entities in the Edo State, Nigeria. The empirical auditor's competence and integrity revealed that governance structure positively and significantly influenced the internal audit quality of the public sector entities in Edo State, Nigeria.

The empirical investigation revealed that auditors' independence and objectivity positively and significantly influenced the internal audit quality of the public sector entities in Edo State, Nigeria. Auditing as the language of today's corporate survival mainly reflects the effects and mechanisms of modern approaches. The research study examined the influence of modernization and internal audit quality of MDA in Edo State, Nigeria. Here it was discovered that auditors have the ability to choose the prospect of their profession because they are in charge of the financial control of the resources that come to the organization. The basic goal of auditing is to provide quality assurance that would assist users of financial information in making good investment decisions. The quality level of this accounting information comes from auditors' competence, integrity, objectivity, independence and thereby emphasizing the importance of corporate organizations modernizing the internal audit unit due to the prominent nature of it. History has it that it is only change that is constant in life. Until, the audit profession embraces this change it will continue to practice the traditional way and continue to have the integrity, competence, objectivity, independence challenged in terms of audit quality. The effects of modernization on the auditors' work are as prominent as its application. Auditors must change tools and working methods to be dynamic and competent. Competence, independence, integrity, technology, objectivity are needed to be able to produce quality audits in today's world.

Recommendations

Based on the findings of the study, the following recommendations were made; the office of the internal audit should be independent of management and the chief executive officer. If it is possible, the internal audit should not be directly under the chief executive officer because in most cases these ones are political appointees who view the resource as national cake and they mostly do not have a stake in the Ministry, Department or Agency, to further provide assurance to the credibility of internal audit, auditor's report should be allowed by law to have a column in the financial statement where they can put together their report on the position and performance of the Ministry, Department or Agency, the government is advised to create legal backing to the Internal Auditor that will compel them to report any findings of corruption directly to the board, Auditor-General of the Federation and anti-graft agencies, internal audit department staff should be well trained and their knowledge updated to a level beyond error-proof works, staff whose integrity is in doubts should not be allowed in the Internal Audit department, rules should be put in place by the government that will state the procedures of deploying or

terminating the appointment of an Internal Audit department staff.

Suggestions for Further Studies

Limited amount of relevant data, different methodologies adopted by researchers, lack of acceptable definitions of relevant variables was the major limitations for the study. Efforts should be made by financial experts and policy makers to come up with suitable variables that can be used to measure accurately the variables, Modernization. For further research, a larger sample size and a longer study period should be considered. A similar study may also be undertaken for other sectors.

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