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Internal Audit Effectiveness and Quality of Public Financial Management and Reporting in the Public Sector, Nigeria

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ABTRACT

This research work was aimed at finding out the impacts of internal audit effectiveness on quality of public financial management in the public sector in Nigeria. The population for the study includes all auditors and accountants in various ministries, government agencies and parastatals in Bayelsa State, Nigeria. Out of which the sample size was selected using the Taro, Yamani's sampling techniques. Data for this study was primarily sourced. Linear regression analysis was used to analyzed the data collected with aid of SPSS version 16 to examined internal audit effectiveness on quality of public financial management and reporting. The four hypothesis results revealed that internal audit effectiveness has potential and significant influence on quality of public financial management and reporting. The findings further revealed that the independence of internal audit and objectivity enhances transparency and accountability in the financial report as well curb the case of corruption in public entities. The study therefore, recommends that full implementation of IPSAS, IPPIS, TSA and GIFMIS in the state government, will go a long way in minimizing corruption in the public sector as well as enhancing effective utilization of public funds which will foster socio-economic development in the state and Nigeria at large.

Keywords: *Internal Audit, Public Financial Management, Internal Audit Independence, Objectivity Of Internal Audit*

INTRODUCTION

There is general awareness all over the world for the need to pay greater attention to the improvement of public sector financial management. The reason is not farfetched, as government constitutes the largest single business entity and her pattern of expenditure through its various ministries, parastatals, agencies and commissions stimulate lots of economic activities. As a result of this Government huge involvement in economic activities, initiatives are being taken all over the world towards improvement of the standards of accounting and auditing departments in government (Angus and Mohammed, 2011). Public sector managers operate in a complex and challenging environment because the expectations of the constituents are huge and high.

Internal audit is an important element of management of scarce resources that provides best advice and mechanisms to public sector managers to assist them to meet their responsibilities. Anao (2012 observed that internal audit provides an independent and objective review and advisory service to-provide assurance to the Chief Executive and/or Board that the entity's financial and operational controls designed to manage the organization's risks and achieve the entity's objectives are operating in an efficient, effective, economical and ethical manner; and assist management in improving the entity's business performance. According to Izedonmi (2000), auditing involves an independent examination of the financial statements of an enterprise prepared by the management of that enterprise by an appointed person called auditor in order to express a professional opinion whether or not those financial statements show a true and fair view position of the enterprise as at the end of the financial period in accordance with the auditor terms of engagement, as well as other relevant statutory and professional regulations. As owners of organization are separated from the management, this has necessitated the need for auditing. It used to be that internal auditing in the public sector served as a simple administrative procedure comprised mainly of checking accuracy of transactions, pre-payment verification and control, counting assets and reporting on past events to various types of management. However, in recent times, a combination of forces has led to a quiet revolution in the profession.

Governments moving toward higher levels of transparency must demonstrate accountability in the use of public money and efficiency in the delivery of services. Larger and more complex operations demand greater competency and professionalism from internal auditors to minimize and manage risk. Internal audit is one of a number of internal assurance and business review activities that should operate in a coordinated and complementary manner to the benefit of the organization.

In public institutions, internal auditors play the role of consultants and assurance providers. Consulting is a function of auditors in terms of providing activities that add value and improve the management of public organizations, its risks management and internal control systems without assuming the management responsibility. Internal auditors in public organizations should also provide assurance services to different stakeholders. This kind of assurance is in terms of identification of the risks in the processes and activities within the institutions related to management and internal control systems. Thus, the internal audit provides an opinion on the status of internal processes, systems or other management issues (Al Matarneh,2011).

The fundamental functions of internal audit is to enhance transparency and accountability in financial management and financial reporting in the public sector. Hence, there is a need to assess if internal audit effectiveness contributes to improved public financial management in the Nigerian domain? Thus, this study argues that transparency in public sector financial reporting can be achieved through the best use of internal audit practices that are anchored on objectivity and independence as important ethical principles.

1.1 STATEMENT OF PROBLEM

The gap analysis of this research work unveils that, there are a lot of challenges facing the effective management of public finance and quality of reporting in public entities.

Notably, noncompliance to standards and statutory regulation guiding the preparation and presentation of general purpose financial statements in the public sector has misled users to make faulty financing, investing and economic decision.

Lack of transparency and accountability, inadequate disclosure of government financial transactions.

Another problem hindering sound public financial management system is corruption, fraud, embezzlement, collusion and diversion of public funds among public officers.

Inadequate revenue management, cash management, debt management and expenditure control policies has immensely affected the economic development of our state and Nigeria at large.

Civil society groups, human right activists, religious leaders, academicians, and politicians have raised their voices on the growing concern for the mismanagement and plundering of public funds. This has generated debates and search for feasible ways of securing public funds and investments.

The State and National Assembly has been called to enact laws that will give legislative backing to internal auditors to independently carry out their duties and responsibilities without the iota of interference from management. When internal audit department assumes absolute liberty and freedom, in exercising its functions then there will be transparency, accountability, credibility in the financial report in the public sector as well as minimizing corruption and enhancing effective management of public resources.

The Internal Audit effectiveness lies on the objectivity, independence, competence and performance of the Internal Auditor in discharging his responsibilities.

1.3 OBJECTIVES OF THE STUDY

The fundamental objective of this research work is to ascertain Internal Audit effectiveness on quality of public financial management and reporting in the Nigerian Public Sector. The specific objective that guides this study are;

- To ascertain the extent of effectiveness of internal audit independence in the public sector and its contribution to enhance quality of public financial management and reporting
- To determine the extent of effectiveness of internal audit objectivity and compliance in the public sector and its contribution to enhanced quality of public financial management and reporting

1.4 RESEARCH QUESTIONS

This study is anchored on the following research questions in order to achieve the set objectives:

1. To what extent the effectiveness of internal audit independence has contributed to effective public financial management and reporting
2. To what extent the effectiveness of internal audit objectivity and compliance has contributed to enhance quality of public financial management and reporting

1.5 RESEARCH HYPOTHESES

The study formulated the following hypotheses;

Ho1: Internal audit independence does not enhance effective public financial management and reporting

Ho2: Internal audit objectivity and compliance does not enhance quality of public financial management and reporting

1.6 SIGNIFICANCE OF THESTUDY

The findings of this study will benefit society because; it will promote transparency, accountability and enhance quality financial reporting, which will enable users to make sound economic, investment and financing decisions.

Oversight functions of auditors and legislators will be made easier. This study from its findings would contribute to the existing body of knowledge in accounting, auditing, economics and related areas. This study will contribute significantly to the promotion and development of sound public financial management. Also, the finding of this research is expected to be of immense significance and benefits to the state government and entire public agencies in Nigeria that are statutorily empowered by the constitution to prepare general purpose financial reports. Government, stakeholders, creditors, investors, foreign donor agencies, foreign financial institutions will appreciate the functionality of internal audit department in mitigating fraud, embezzlement, mismanagement, misappropriation of public funds, and enhancing credibility, reliability in public financial report and efficient utilization of public resources. This research work will unveil the importance of internal control, independence and objectivity of internal audit department in the public sector. This study will unveil the significance of the internal audit in promoting transparency and accountability in the public sector. It will help citizens to make sound judgment on how public funds are used for betterment of the common people.

REVIEW OF RELATED LITERATURE

Internal Auditing

The Institute of Internal Auditing (IIA, 1999) presented a broad definition of internal auditing as; "Internal auditing is an independent, objective assurance and consulting activity designed to add value 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". The Glossary to the IIA standards differentiates independent and objectivity concepts as; "Independence: The freedom from conditions that threaten objectivity or the appearance of objectivity, such threats to objectivity must be managed at the individual auditor, engagement, functional and organizational levels."

Deepak (2010) sees internal audit as an autonomous and impartial assurance and consulting function designed to help an organization to achieve its objectives.He describes the following objectives: the effectiveness and efficiency of operations (programmes and projects), the reliability of financial and operational information, the security of assets, compliance with rules and regulations, and fraud prevention and detection.

Internal audit goals are unquestionably broad, but governments vary in their commitment to them. This is why it is widely asserted that internal audit efficacy can only be as successful as the government's willingness to achieve these targets.Internal audit is part of the internal control structure placed in place by the management of an organisation, according to Unegbu and Obi (2012), to ensure adherence to the specified work process and to assist management. They claim that in order to ensure smooth administration, monitor cost minimization, capability usage and full benefit derivation, internal audit tests, analyzes and reviews the efficacy and effectiveness of other controls set up by management. This means that internal audit is an important part of a dynamic framework developed by every organization's management to ensure that the business is conducted in an organized manner and avoid asset misuse.

Vos (1997) argues that the main objective of the internal auditor is to determine financial and organizational control effectiveness, confirm compliance with company policies, process, protect assets, check the quality and consistency of external and internal reports of the organization. While Stoner (1994) claims that the purpose of the internal audit is to assess the quality and effectiveness of all of the organization's records and also to suggest strengthening the control structure, Owler and Brown (1999) claim that the internal auditor's objective is to protect management from errors of principle and neglect of duty.

Adeniji (2011) states that internal audit is part of the mechanism of internal control placed by an organization's management. He believes it is a management aid that ensures that the financial operations are carried out properly in compliance with the legislation and also in accordance with the board or council's wishes. While corroborating the views of Owler and Brown (1999), Barker (1999) expands the objective of the internal audit to include the review of the company's activities and documents, and most of the organization's extensive work on financial and other statements is effectively audited throughout the course of these reviews.

Enofe, Mgbame, Osa-Erhabor and Ehiorobo (2013) argue that, through constructive feedback, the purpose of internal auditing is to enhance organizational efficiency and effectiveness. This means that identification of areas of weakness and suggestions for improvement are the main thrust of internal auditing. Little wonder Sawyer (1995) state that internal auditor's job is not done until defects are corrected and remain corrected.

Internal Audit Effectiveness

The concept of internal audit effectiveness has received growing attention in the recent years and has been taken seriously by several academic studies. In the studies undertaken by researchers and professional bodies, this significance made the efficacy of internal auditors an indispensable subject and was prominently placed. Dittenhofer (2001) defines effectiveness as the accomplishment of the goals and objectives of internal auditing. Effectiveness has also been described by the Institute of Internal Auditors (IIA) as "the degree (including quality) to which the stated objectives are achieved" (IIA, 2010). A few definitions of internal audit effectiveness have also been adopted in recent studies, which measure this term as a degree to which the objectives set are met (Badara and Saidin, 2013; Khalid, Haron and Masron 2017). Many scholars believe that any internal audit strategy will be successful if the results are in line with its objectives. The effectiveness of internal auditing in achieving the objectives of this role has been defined in all the definitions above. The ultimate objectives of an effective internal audit function, based on the official concept of internal auditing, can be expressed in the value added to organizations by helping management achieve corporate goals and enhancing the efficiency of risk management and the internal control system. In addition, George, Theofanis, and Konstantinos (2015) stressed that one of the main conditions for the organization is a successful internal audit function. Internal audit effectiveness has been an area of common interest to many. This has been responsible for the divergent views of authors on this concept. Vijayakumar and Nagaraja (2012) seem to be more concerned with the results of an effective internal audit framework, which they argue helps to achieve efficiency, profitability and avoid revenue losses, particularly in the public sector. While Shoommuangpak and Ussahawanitchakit (2009) see audit effectiveness as achieving the objective of the audit by gathering sufficient and appropriate audit evidence to express a reasonable opinion on compliance with generally acceptable accounting principles in financial statements, Mizrahi and Ness-Weisman (2007) express audit effectiveness as the number and scope of deficiencies corrected following the audited process.

As mentioned in Mu'azu and Siti (2013), Alberta (2005) states that effective internal auditor professionals should have the following characteristics: the ability to align the structure of internal audit with the dynamics of the organizational operation; the relationship between management skills to maintain adequate visibility and the needs and expectations of the audit committee should be strong;There should be strong service delivery capabilities (consistency in approach, standards, and delivery, including the abilities to maintain audit focus and alignment of resources to the plan; There should be also be strong management skills which will ensure that internal audit teams have appropriate skills and motivation. Besides the above, the level of training, education, experiences as well as professional qualifications of the internal auditors influenced the effectiveness of internal audit. The above characteristics are essential and we see them as building blocks to effective internal audit system.

Belay (2007) and De Smet and Mention (2011) are of the opinion that attributes of effective internal control include “organizational independence, a formal mandate (existence of approved audit charter, unrestricted access, sufficient staff, existence of audit committee, stakeholder support, professional audit standards and unlimited scope. In a related development, the Chartered Institute of Public Finance and Accountancy (2006) as cited in Mu’azu and Siti (2013) believes that effective internal audit service should aspire to understand the whole organization, its needs and objectives, understand its position with respect to the organization's other sources of assurance and plan its work accordingly; be seen as a catalyst for change at the heart of the organization; and value and assist the organization in achieving its objectives; help to shape the ethics and standards of the organization, ensure the right resources are available and seek opportunities for joint working with other organizations". A cursory look at the above reveals the holistic nature of the expectations of effective internal audit system from a professional stand point. It is more or less like setting the universal standard against which effectiveness of internal control would be assessed.

Internal Auditors' Independence

The Internal Auditors Institute notes that internal auditing is an autonomous, analytical assurance and consultancy practice intended to add value and enhance the operations of an entity. It allows an organization to achieve its goals by offering a structured, disciplined approach to evaluating and enhancing the efficacy of risk management, control and governance processes (IFAC, 2010 and IIA, 2009).

Independence of auditors, whether internal or external, is mostly associated with freedom from reliance on, or influence or control by, another person, organization or state (Appah, 2008). Internal auditors work with and report mainly to higher levels of the audited agency, which may be governing bodies, parastatal boards, ministries and departments of public entities, depending on the nomenclature of each jurisdiction. Badara and Saidin (2012) noted that it is important to specifically define the definition of independence on the basis of its associated particular field or domain of application. This is the degree of independence to carry out independent reporting and information control work in all the departments of the public institution for which internal auditors work and to report the findings to their higher level without being influenced by the immediate level of management of the audited agency (Al-Shetwi, Ramadili, Chowdury&Sori, 2011; Seol, Sarkis &Lefley, 2011; Leung & Cooper, 2009; Kwanbo, 2009 and Mihret&Woldeyohanes, 2008). The Salawu&Agbeja (2007) Qualitative Study Report revealed that the absolute independence of the public service audit section is an important tool for an efficient audit review that will result in openness and accountability. Zulkifli, Alagan&Mohd, (2014) also found that the lack of adequate skilled, qualified and knowledgeable human resources, lack of independence and objectivity impedes successful internal audit processes in the public sector, resulting in weak transparency and transparent reports.

The auditor's independence adds integrity to the audit report on which financial information consumers rely in order to make economic decisions about an agency. Therefore, the independence of the auditor is one of the basic criteria for retaining public trust in the audit report's reliability. Internal auditors' independence reflects the consistency of what they report to decision-makers and the level of transparency of reporting on the activities of a public body. Users of their reports will lose faith if auditors are not impartial, as the conclusions drawn and the auditor's opinion could be biased. Internal auditors should also be independent of mind (a state of mind that allows an opinion to be given without being swayed by factors that impair professional judgment) and in appearance (in which third parties can fairly assume that the honesty, objectivity and professional skepticism of the internal auditor has not been compromised). Internal auditors provide assurance of what their organization's management is doing, either positively or negatively, and must report to the higher administration level of the board of directors of the public entity or to audit committees that may be responsible for enhancing management processes and improving internal control mechanisms to help management meet the goals set (Messier, Reynolds, Simon and Wood, 2011). In his report on selected local governments in the state of Adamawa, Modibbo (2015) indicated that setting up the internal audit department as an autonomous entity is important to its independence and effectiveness. This will improve the capacity of the internal auditor to give fair judgment without bias on all the public office's financial transactions, thus improving transparency and accountability at all levels of local government in the state.

Independence of the internal audit role is essential to transparency and accountability in the financial management and reporting of the public sector, and Nigeria does not seem to have accomplished this. The Office of the Auditor-General for the Federation (OAuGF), for example, practices the same budgetary approach as other MDAs. Via the Ministry of Budget and National Planning, its annual figures go to the National Assembly. The budget of the OAuGF shall, upon approval, be managed by the Ministry of Finance and the funds shall only be published by the Accountant General if the budget office has issued a warrant. Accordingly, the Office of the Accountant General, one of the key offices subject to the audit, has been able to exercise a considerable control over the financing of the OAuGF and has not issued the full annual budget to the Office in recent financial years. The OAuGF also relies exclusively on the Federal Civil Service Commission to hire and analyze its higher level of human resources (grade levels 7 and above). It is clear that this mechanism is a significant obstacle to the OAuGF's independence and autonomy (Ukura, 2016). In Rwanda, the same budgetary mechanism and funding are similarly relevant, with the exception that the Office of the Auditor-General (OAG) has no delay in administering the appropriated funds to it.

Internal Auditors' Objectivity

The internal auditor’s objectivity refers to unbiased mental attitude that allows internal auditors to perform engagements in a way that they demonstrate and apply honesty in conducting their assignments which enhances the quality of their report and opinion (Alzeban&Gwilliam, 2012 and IIA, 2009).

The internal auditor has to report objectively all the findings from the work he or she has done. Thus, the auditor must be in full awareness about the whole management process and overall objectives and then maintain objectivity in order to increase the reliability of information to be reported to decision makers or higher levels of the entity, such as audit committee and board of directors (IFAC, 2010). Abernathy, Barnes &Stefaniak (2013) demonstrated that the objectivity of the internal auditors enhances the management quality, moderates audit risks and helps auditors to issue a reasonable and credible audit opinion with supporting evidence (Al- Matarneh, 2011; Hellman, 2011; Stewart &Subramaniam, 2010 and Cohen &Sayag,2010).

It is, however, very difficult in public institutions for internal auditors to be impartial in all matters relating to their work. This is focused on the fact that the direct managers of internal auditors are the heads of public institutions. These leaders may have employed or influenced the internal auditors, paid their wages, approved their leave, assessed them for promotion and generally contributed to their development. It is also clear that these leaders exert over-bearing control on internal auditors who may face threats of self-interest and intimidation in most instances. In situations of this type, it becomes impossible for internal auditors to be impartial and operate without their supervisors (leaders) having any leadership influence (Cohen &Sayag,2010).

Audit Roles In Public Sector

As an essential element of a strong public sector governance structure, auditing supports the governance roles of oversight, insight and foresight. Because the public sector's success is measured primarily by its ability to deliver services successfully and carry out programs in an equitable and appropriate manner, public sector audit activities should have the authority and the competency to evaluate financial and program compliance, effectiveness, economy and efficiency. Moreover, auditors also must protect the core values of the public sector, as it serves all citizens.

Oversight. Auditors assist decision-makers in exercising oversight by evaluating whether public sector entities are doing what they are supposed to do, spending funds for the intended purpose and complying with laws and regulations. Audits focusing on over-sight answer the questions, "Has the policy been implemented as intended?" and "Are managers implementing effective controls to minimize risks?" Auditing supports the governance structure by verifying agencies' and programs' reports of financial and programmatic performance and by testing their adherence to the organisation's rules and aims. Moreover, oversight audits contribute to public accountability by providing access to this performance information to stakeholders within and outside of the organization under audit. Elected and appointed officials as well as public sector managers are responsible for setting direction and defining organizational objectives. In addition, managers have the duty to assess risks and establish effective controls to achieve objectives and avert risks. In their oversight role, government auditors assessment and report on the success of these efforts.

Oversight also describes the role many public sectors auditors have to detect and deter public corruption, including fraud, waste, or abuse, and other misuses of the power and resources entrusted to government officials. Auditors monitor the effectiveness of management's internal control structure to identify and reduce the conditions that breed corruption. In many areas of the world, public sectors auditors also are responsible for responding to allegations of corruption in the public sector organizations they serve through detection and deterrence.

Detection: Detection is intended to identify inappropriate, inefficient, illegal, fraudulent or abusive acts that have already transpired and to collect evidence to support decisions regarding criminal prosecutions, disciplinary actions, or other remedies. Detection efforts can take many forms including:

Audits or investigations based on suspicious circumstances or complaints that include specific procedures and tests to identify fraudulent, wasteful or abusive activity. Alternatively, red flags that appear during the course of an audit initiated for unrelated reasons may result in added procedures to specifically identify acts of fraud, waste or abuse.

Audits such as payroll, accounts payable or information systems security audits, that test an organization's disbursement and related internal controls.

Audits requested by law enforcement officials that analyze and interpret complex financial statements and transactions for use in investigating and building evidentiary cases against perpetrators.

Reviews of potential conflicts of interest during the development and implementation of laws, rules and procedures.

Deterrence: Deterrence is intended to identify and reduce the conditions that allow corruption. Auditors seek deter fraud, abuse and other breaches of public trust by:

- Assessing controls for existing or proposed functions.
- Assessing organizational or audit-specific risks.
- Reviewing proposed changes to existing laws, rules and implementation procedures
- Reviewing contracts for potential conflicts of interest.
- Successful detection efforts may also have a deterrent effect.

Insight: Auditors provide insight to assist decision-makers by assessing which programs and policies are working and which are not, sharing best practices and benchmarking information and looking horizontally across public sector entities and vertically among the levels of the public sector to find opportunities to borrow, adapt or reengineer management practices. The audit activity helps institutionalize organizational learning by providing ongoing feedback to adjust policies. Auditors conduct their work systematically and objectively to develop a detailed understanding of operations and draw conclusions based on evidence. Therefore, audits can provide an insightful description of problems, resources, roles and responsibilities that, combined with understanding of the root cause of the problem and useful recommendations can encourage stakeholders to rethink solutions to problems. Not only can the performance of the specific program under audit be improved, but working through the issues brought to light by a particular audit can enhance the capacity of the public sector and the public to deal with similar problems. Audits focusing on insight contribute importantly to answering the broader question, "Has the policy brought about the intended result? "Concurrently with the accountability function, audits contribute to improving the operations of the public sector.

Foresight: Auditors also help their organizations look forward by identifying the trends and bringing attention to emerging challenges before they become crises. The audit activity can highlight challenges to come – such as from demographic trends, economic conditions, or changing security threats – and identify risks and opportunities arising from rapidly evolving science and technology, the complexities of modern society, international events, and changes in the nature of the economy. These issues often represent long term risks that may far exceed the terms of office for most elected or appointed officials, and can sometimes receive low priority for attention where scarce resources drive more short-term focus on urgent concerns. Additionally, a common audit approach – risk based auditing – focuses the audit on the organization's overall risk management framework, which can help identify and deter unacceptable risks. Through risk-based auditing, the audit activity provides useful and relevant information to the organization for managing its risks.

Audits focusing on foresight help answer the question: "What policy revisions or implementation would meet a future need or risk?" When public sector auditors focus on trends and look forward, they support decision making. Auditors also play a key role in helping managers understand and initiate risk assessments. Additionally, auditing's own risk assessment ensures that audit resources are used effectively to address the areas of greatest exposure.

Through these roles, auditors protect core public values. By providing oversight, insight and foresight services, public sector auditors help ensure that managers and officials conduct the public's business transparently, fairly and honestly, with equity and integrity, while performing their own work using the highest standards of integrity. Auditors should not only assess the potential abuse of power, but also should be cognizant of their own power within an organization.

Auditors can serve as a check on abuse of power. Public sector auditors – whether appointed by the legislature or the executive or elected by the voters – must be prepared to recognize and report corruption, abuse of authority, or failure to provide equity or due process in the exercise of a government police or regulatory activity. Because such reporting may challenge powerful or entrenched interests, auditors require some measure of job protection to be able to report independently.

Auditors must not abuse their own power. The auditor's unique in the public sector confers power that could be susceptible to abuse. Therefore, the auditor's own work must reflect the same principles of transparency, equity and integrity that are expected of the public sector. This means auditing issues that matter to people, writing accurate and balanced reports, and making audit reports available for public examination. Some public sector auditors may even find themselves presenting their audit findings in televised hearing or committee meetings. And certainly, public sector auditors must conduct their work with integrity and in full compliance with laws and regulations.

Qualities Of Public Financial Management

Public sector entities have coercive powers (e.g. police, tax and regulatory powers) over citizens and economic enterprises, and therefore need protections to ensure fairness and accountability in the exercise of those powers and in the delivery of the services expected. These protections are fundamental to the political systems in which citizens are empowered by public sector entities. In general, any form of public sector entity can benefit from accountability measures to ensure that officials use resources and authority to meet the objectives and objectives set out in the mandate. In addition, good public governance requires fair and impartial enforcement of laws and regulations. The absence of effective governance systems and adherence to basic governance principles increases the likelihood of public corruption, which is defined as the inappropriate use of public officials' authority for private gain. The attributes of public financial management are as follows.

Accountability: accountability is the process by which public sector entities and individuals within them are responsible for their decisions and actions, including the management of public funds and all aspects of performance, and are subject to appropriate external scrutiny. This is achieved by all parties having a clear understanding of those responsibilities and clearly defined roles through a robust structure. Responsibility is, in effect, the obligation to respond to the assigned responsibility" (Source: IFAC, Governance in the Public Sector: A Governing Body Perspective, 2001).

Transparency: the principle of transparency concerns the openness of a public sector entity to its constituents. Good governance requires proper disclosure to stakeholders of key information so that they have the appropriate data about the results and activities of the public sector agency required to clearly grasp the motivations and to arrive at accurate conclusions about the impacts of its actions. The decisions, actions and transactions of the public sector must therefore be conducted in an open manner. Upon request, certain public sector agencies are mandated by law to make public records accessible. In addition, many sector entities are required by law to publish notices of meetings, including specific agenda items. While the public interest is sometimes served by the protection of information from disclosure – such as where national security, criminal investigation or private company proprietary information would be compromised – public sector transparency or actions and information play a significant role in public oversight.

The auditors can provide a direct link between transparency and the credibility of the public sector body. Lawmakers and the public are looking at audits to ensure that public sector activities are ethical and lawful, and that the true measure of operations is adequately represented by financial and performance reporting.

Budget credibility: describes the ability of governments to meet their spending and revenue targets accurately and consistently. Budget credibility is at the heart of maintaining government commitments and seeks to understand why governments are deviating from those commitments. When budgets are not implemented as planned, spending priorities may shift, deficits may exceed projections, and critical services may be compromised. Moreover, governments that consistently deviate from their budgets are at risk of eroding public trust.

Expenditure Control: Expenditure control is an important component of the accountability system for the implementation of the budget and financial resources. Through an effective system of expenditure control, the agencies will not only be able to maintain a high level of fiscal discipline, but will also be able to carry out the planned activities within the approved appropriations. Regulation of spending requires elements such as administrative and financial fines, budget availability checks, controls on recording and processing, including delegation and segregation, adequate recording and processing, inspection and certification, and final payment approval and disbursement.

For the purpose of proper classification and recording, expenditure is generally classified under two categories, namely Current and Capital. Present expenses include expenditures to fund regular and routine operations, such as wage and allowance expenditures, building and property repairs, office supplies, utilities, etc. Capital investments are long-term expenditures, such as the construction of highways, bridges, buildings, dams, schools, plants and equipment, automobiles, etc.

Revenue Control and Management: Revenue control and management policies establish proper control over all receipts and receivables and help ensure sound financial management practices. Government should adopt a revenue control and revenue management policy as an integral part of its overall financial policies.

Transparency Gap In The Public Sector Financial Management And Reporting

Financial reporting is the foundation for providing to stakeholders the information that is beneficial for decision-making, enhanced transparency and accountability, and management openness. Financial reporting is a vital way of assessing management efficiency and a unit for measuring the achievements of public institutions' objectives (Akinbuli, 2010). In order to achieve national objectives, most public agencies are financed by taxes raised by taxpayers, contributors, and lenders. Most of these suppliers of funds and users of the services they offer are accountable to the public institutions as their reason for their existence. The main purpose of the financial statement is to provide and convey financial and non-financial information as beneficiaries of public services to consumers and primarily to people (Atu and Atu,2010).

According to Gupta (2005), financial reporting is the medium by which managers/leaders of public institutions are accountable to the general public or people and other stakeholders interested in the growth of nations for their stewardship duties. Leaders must provide transparency on the available and obtained resources and how they are used or handled in the interests of the general public. Obazee (2008) stresses that a primary means of sharing financial information is financial reporting. Appah(2008) argues that financial reporting concerns financial transparency in the manner in which it provides an atmosphere in which all individual actors are made available, measurable and understandable by information on current circumstances, decisions and actions. Financial transparency refers to the mechanism and approach by timely dissemination and accountability of the provision of financial information and policy decisions (Maria, Inaand& Christoph, 2015). Financial accountability again refers to the need for all actors, including the authorities, to explain their actions and policies and to take responsibility, in particular for the financial resources provided to them, for their decisions and outcomes.

Increased cross-border financial flows, which have contributed to growing internationalisation and interdependence, have put the question of transparency at the forefront of economic policy making. Increasingly, national governments understand that openness increases predictability and, thus, the efficacy of policy decisions. Transparency forces organizations to face the reality of a situation and makes officials more accountable, especially if they realize that their stewardship must be justified (Pilcher, 2011).

Appah (2008) and Akinbuli (2010) have successively stated that public financial reporting is a method for government agency administrators to illustrate how scarce financial resources have been most effectively committed to government goals. Financial reporting reflects the openness of the management of public agencies, in particular in communicating to stakeholders that have contributed to the development of wealth to recognize the growth generated by government institutions by the best use of their contributions.

The key purpose of public financial reporting is to provide decision-makers who can use it to assess the use of resources and obtain performance contracts with principals with valuable information. Public agencies provide financial reports that can help to decide the course and use of the budget in order to bring about positive changes or improvements in economic, social, educational, health and safety services relative to the past (Egger, Eggert and Winner, 2010). It is through financial statements that executives of public agencies express their stewardship of the resources they are entrusted with.

An overview of the public financial reporting literature reveals that many transparency discrepancies are questioned, such as the quality of financial reports by public agencies and user-required information (lack and/or poor disclosure), lack of financial accountability to third parties (lack of justification for the use of contributions and gifts), poor relationships between budgets of public entities The current global economic climate has also placed pressure on governments to use financial information, suggesting a fair degree of accountability. The stakeholders of public institutions are more involved in what they do and show a high degree of need for transparent financial reporting from these agencies. Disappointingly, most government reports are incomplete, prepared and delivered without timeliness and frequently inaccurate (Ibanuchuka& James, 2014; Izedonmi&Ibadin, 2013 and Jones &Luder 2011).

Based on the accounting used, the main problem lies in having a clear public sector financial reporting system. Prior to the formulation, adoption and application of the International Public Accounting Principles, public service financial statements were traditionally prepared on a cash-based accounting basis, which, due to its failure to take account of the records of payables and receivables, does not faithfully reflect the transactions and events of government operations. There is an immediate need for the complete introduction of IPSAs to ensure accountability in the monitoring framework of public services. IPSASs are a high-quality, internationally recognised and agreed financial reporting system and a set of principles that are intended to strengthen the high-quality planning and presentation of financial statements by governments. It provides the foundation on which auditors can efficiently and effectively carry out their work (IFAC,2012).

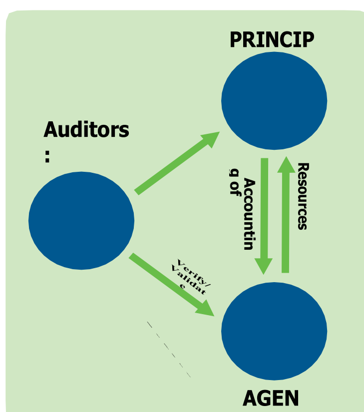
The lack of transparency is the product of the government's lack of accountability; hence, the need to strengthen government public financial management and decision-making (Alshujairi, 2014). The implementation of IPSAs is supposed to lead to more detailed information on government results (Christians et al., 2013). Hughes (2013) argued that adoption of IPSAs, particularly in developing countries, would allow governments to provide their people and all stakeholders with appropriate, faithfully represented, understandable, accurate and comparable financial statements as a report of their stewardship, thus improving public financial transparency and governance. It is noted that the accrual accounting basis of the unified accounting system achieved through IPSAs would give rise to greater transparency, performance and accountability in public services (PWC,2013).

Eivani, Nazari and Emami (2012) believed that it is of vital importance to achieve sufficient accountability and transparency in public financial management, an accounting system (modified accrual basis of accounting) capable of monitoring levels and adjustments in assets, liabilities, income and expenses or expenditures relative to the sums budgeted. In order to make it appropriate, faithfully interpreted, understandable, accurate and comparable, public offices are also responsible for enhancing the financial reporting system. Transparency in financial reporting would be accomplished if all the relevant information needed in the decision-making process were to be prepared by people and all stakeholders in compliance with well-structured requirements and properly presented in the format of government stewardship reports.

Theoretical Framework

Agency Theory

The public sector represents a principal-agent relationship. The officials acting as the principal's (the public) agent must periodically account to the principal for their use and stewardship of resources and the extent to which the public's objectives have been accomplished. An effective audit activity reduces the risks inherent in a principal-agent relationship. The principal relies on the auditor to provide an independent, objective evaluation of the accuracy of the agent's accounting and to report on whether the agent uses the resources in accordance with the principal's wishes.



The need for a third party to attest to the believability (credibility) of the financial reporting, performance result, compliance and other measures arises from several factors inherent in the relationship between the principal and its agent:

Not all citizens can participate in the management of nations' resources thus the appointments of officials into public offices by the citizens to manage the public resources on their behalf. But due to information asymmetries between principals (citizens) and agents (public officials) and differing motives, principals may lack trust in their agents and may consequently need to put in place mechanisms to reinforce this trust. Agency theory viewed audit as one of the monitoring mechanism to curb management aberrant activities. It is assumed that an audit provides an independent check on the work of agents and of the information provided by an agent, which helps to maintain confidence and trust. The auditor's role is to assess whether the financial statements, prepared by the agent, are faithfully represented and are prepared in accordance with generally accepted accounting principles. The financial statement audit makes management accountable to shareholders for its stewardship of the organization (Akinbuli, 2010 and Hayes, Dassen, SChilder & Wallage 1999 and 2005).

Empirical Review

Having reviewed various concepts and theories on the effectiveness of internal audits and the quality of financial reports in the public sector, the need to evaluate previous empirical studies on the subject of the research topic has become important.

Some empirical studies on this subject have been performed in some countries around the world. Appolos N. Nwaobia, etal (2016) conducted a study to analyze the role of internal audit activities in Rwanda and Nigeria as core components of agency and stewardship relationships between government and stakeholders towards improving accountability in public financial management and reporting. It followed the style of the desk/ analytical analysis. It demonstrates that an internal audit role will boost public financial management and reporting accountability if the unit is completely autonomous in terms of independence and is well equipped with human resources and related infrastructure facilities. In order to amend transparent financial management and reporting in public offices, the national legislative structure should be strictly adhered to in terms of the preparation and presentation of financial statements, the submission and analysis, as well as the prompt report of the Auditor-General to the Public Account Committee of the National Assembly. The financial statements should also be issued in a timely manner for easy accessibility for people.

Mihret and Yismaw (2007) wrote about the effectiveness of Internal Auditing, A Case Study of Ethiopia's Public Sector. The study that used organized questionnaires, interviews and observations as data collection methods as a result of the findings reveals that certain variables such as internal audit efficiency, management support, etc. have a significant impact on internal audit effectiveness, while the organizational structure and characteristics of the internal auditor have less impact on the same variable.

Ahmad, Othman &Jusoff (2009) investigated the efficacy of internal audit in the Malaysian public sector, which used basic figures, graphs and graphs as data analysis tools, showing that the shortage of audit personnel was a major impediment to successful internal auditing. A limited reach was one of the study's main constraints. A research on 'identifying organizational drivers of internal audit performance in Italy' conducted by Arena and Azzone (2009) using 153 Italian companies and survey methods shows that the characteristics of the internal audit team, the audit processes and activities as well as the organizational connections have affected the effectiveness of the internal audit.

In addition, Cohen and Sayag (2010) researched 'Internal Auditing Effectiveness: An Empirical Study of Its Determinants in Israel'. The study defined management support, particularly in relation to the provision of qualified internal audit personnel, career development and independence of internal auditors, as vital to the effectiveness of internal audit, through the use of questionnaires and mail surveys of 292 organizations. Theofanis, Drogalas and Giovanis (2011) wrote with the use of 52 hotels in Greek by mail survey on the 'relationship between elements of the internal control system and internal audit effectiveness,' the results show a positive relationship between the variables. They suggested, however, that the study's outcome may vary significantly from their own with larger samples.

A research to assess the efficacy of internal audit in the Nigerian public sector was conducted by Udeh, SergiusNwannebuike and Eugene, O. Nwadialor (2016). A research population of 182 was used, consisting of 127 accountants and 55 internal auditors in the Parastatals. The instrument for data collection was a self-structured questionnaire, using a four-point adjusted Likert scale. The sample size for the study was composed of 168 respondents who correctly completed and returned their questionnaire. In data analysis, though mean was used, chi-square was used to evaluate the postulated hypothesis. The research shows that, despite the availability of sufficient sanctions, breaches of internal audit protocols were not effectively enforced across boards. It concluded that efforts should be directed at updating the expertise of internal auditors, rather than engaging in an endless hunt for internal audit procedures that are error-proof.

A. The role of internal audit (IA) in effective management control in the public sector was explored by O. Enofe, etal (2013). The results of the Z-test indicate that successful public resource management can be accomplished by effective internal audit in local government, IA effectiveness plays a role in ensuring effective public sector management, while IA effectiveness in Edostate does not affect public sector management regulation.

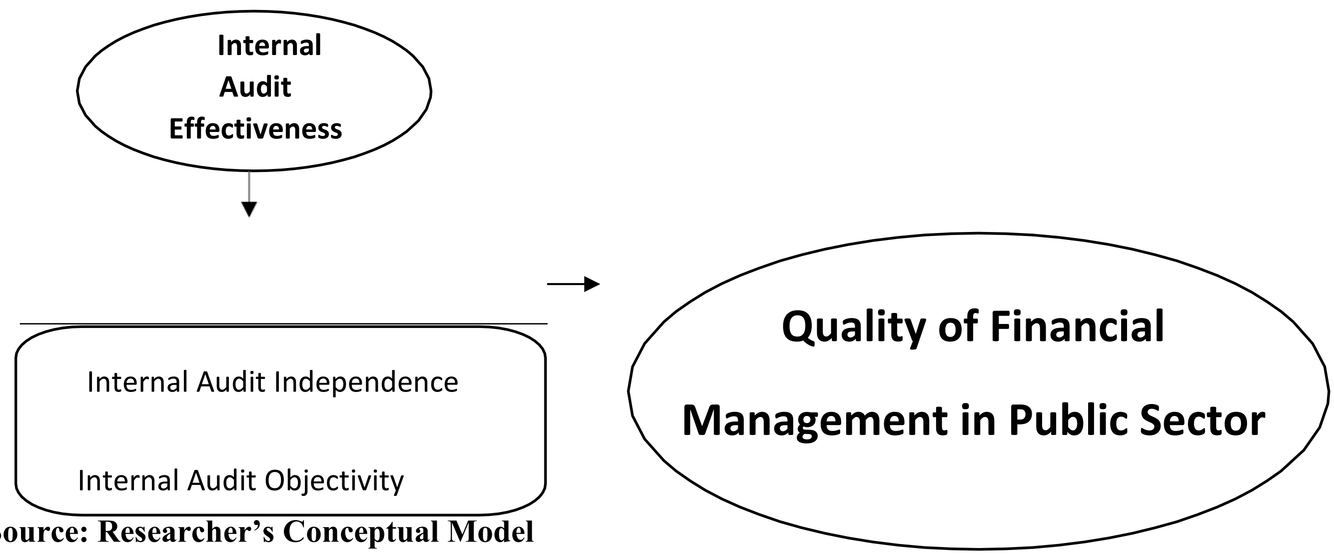
The research, Abu Ojo (2019), explores the relationship between internal audit and risk management in Rivers State's ten selected MDAs. Data were produced through copies of the questionnaire administered with the help of the required information gathered from the study through a cross-sectional survey. Taro Yamane's formula was used to calculate a total population size of 150 and a sample size of 109 at a level of significance of 0.05. 109 questionnaire copies were also distributed to the respondents, while 90 copies were completed and recovered. The instruments were validated using the Cronbach Alpha technique with reliability above a coefficient of 0.7. Six research questions and six hypotheses were posed, which were checked using the SPSS 23 version with the rank order correlation coefficient of spearman. The study results indicate that the notion of internal audit has a positive effect on risk management and risk financing. In the Nigerian public sector MDAs, internal auditing has a huge effect on risk management. In addition, the internal audit should retain a high degree of objectivity and independence in carrying out its core role of determining and maintaining risk management assurance.

A research on the role of internal audit practice in the battle against corruption within the public sector in Tanzania was conducted by Bibiana W. Mkenda (2013). The objective of the study was achieved by examining and analyzing the impact of social-political factors on technical auditing, the relationship between the internal audit control system and the prevention and fight against corruption Bureau in the fight against the roots of corruption, structured contact procedures in the reporting of detected corruption and the identification of the key challenges hindering successful audience

The study incorporated diagnostic and descriptive research designs that collected quantitative data from a survey of 65 respondents randomly selected from the population sample. The SPSS program conducted data analysis where descriptive analysis was performed to present descriptive data translated into frequencies, percentage, mean and standard deviation.

The study findings show that the presence of maximum tension and political control, bureaucratic policies and organizational forces interfere with the inspection authority entitled to internal auditors by limiting them to use departmental laws and regulations only when examining employees to interpret different rules, to clarify different procedures, to share some of the confidential inf This limits practices of accountability and transparency as most respondents indicated that they did not fulfill their professional obligations in

Conceptual Model



Source: Researcher's Conceptual Model

Methodology

Research Design

According to Mutai (2001), the research design refers to the procedures to be employed to achieve the objectives of the research. The research design constitutes the blueprint for the collection, measurement and analysis of data (Cooper & Schinder, 2007). A descriptive survey design will be used because the research problem could best be studied through the use of descriptive research. Since surveys allow the collection of large amount of data from a sizable population in a highly economical way, the descriptive survey design was deemed the best strategy to fulfill the objective of this study.

Population Of The Study

The population of this study includes total of 340 respondents, this comprises ministry, parastatals, agencies in Bayelsa State of Nigeria. The target population refers to all the members of a real or hypothetical set of people, events or subjects to which a researcher wishes to generalize the results of the study (Ngechu, 2004). The target population of this study includes Internal Auditors and Accountants in various ministries and parastatals, including the office of the Auditor General and the Accountant General of the State. This is because the people in management are the most conversant with the subject matter of the study.

Description	No of internal Auditors	No of Accountants	Total
Ministries in Bayelsa State	110	80	190
Teaching Hospital, Okolobiri	40	25	65
Board of Internal Revenue	27	18	45
Radio Bayelsa	12	10	22
Diete Koki Hospital, Opolo	10	8	18
Total	199	141	340

Source: Field data Analysis 2019

Sampling Techniques

The sampling design sought to answer whether a sample or a census should be used, the sampling approach to be used and the best sample size to be used (Mugenda & Mugenda, 2003). Due to the population size of government ministries, the research work adopted the purposive sampling approach in obtaining the data from all the ministries, parastatals, agencies. A sample is a part systematically selected from the population for examination or study.

Determination Of Sample Size

In determining the sample size to be used the researcher believed that the sample size will be appropriate and good representation of the whole population. To determine the sample size of this research work the Taro Yamani method was employed. This is designated by the formula.

The is formula is stated thus;

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

Where: n = the desired sample size
N = Total population = 340
e = Tolerable error = 0.05
1 = constant
The researcher assumed 5% level of tolerable error would be used for this research work. Hence, the sample size is computed thus;

$n = \frac{340}{1} + 340\ (.0.05)^2$

n = 184

Sources Of Data Collection

The study collected primary data on the current state of affairs of the ministries, parastatals and agencies in Bayelsa State of Nigeria. The main instrument for data collection would be the questionnaires properly structured. Structured questions allows for uniformity of responses to questions. The questionnaire is a fast way of obtaining data as compared to other instruments (Mugenda & Mugenda, 1999).

Questionnaires give the researcher comprehensive data on a wide range of factors. Questionnaires allow greater uniformity in the way questions are asked, ensuring greater compatibility in the responses. A structured questionnaire was considered most appropriate because it allows for collection of data from a variety of respondents and provides a high degree of data standardization and adoption of generalized information amongst any population.

Research Instrument

The research instrument used in this study is the questionnaire. The questionnaire was carefully planned and executed with the objectives of the study borne in mind. A quintuple measurement was used to show the opinions of the study sample members of the questionnaire items. The quintuple measurement include: Strongly Agree (SA), Agree (A), Undecided (U), Disagree (D) and Strongly Disagree (SD). A five point non-comparative Likert scale was used for the structured questions, the intent of the Likert is that the statement represents different aspects of the same attitude.

Administration Of Questionnaires In Bayelsa State

Respondents	Population	Percentage	Questionnaire copies distributed	Questionnaire Retrieved
Internal Auditors	199	58.6	108	105
Accountants	141	41.4	76	74
Total	340	100	184	179

Source: Field survey 2023

Model Specification

The researcher will also use a multiple regression analysis to determine the relationship between the independent variables and the dependent variable. The regression equation was; $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \varepsilon$

Where Y = F(X)

Where; Y= Quality of public financial management (F), internal audit independence and internal audit objectivity

β_0 = Constant Term
β_1 and β_2, = Beta coefficients

X_1= Internal Audit Independence

X_2= Objectivity of Internal Audit

ε = Error term

A Priori Expectation

Based on the hypotheses formulated, the expectation of this study is that internal audit effectiveness will significantly enhance quality of financial management and reporting. It is also expected that there will be strong relationship between internal audit effectiveness and quality of financial management in the public sector in Nigeria. Therefore, all null hypotheses would be rejected.

Data Validity And Reliability

Validity is the degree by which the sample of test items represents the content of test is designed to measure. Content validity which was employed by this study is a measure of the degree to which data collected using a particular instrument represents a specific domain or content of a particular concept. Mugenda and Mugenda (1999) contend that the usual procedure in assessing the content validity of measure is to use a professional or expert in a particular field.

Reliability is increased by including many similar items on a measure, by testing a diverse sample of individuals and by using uniform testing procedures. The researcher will select a pilot group of 15 individuals from the target population to test the reliability of the research instruments. In order to test the reliability of the instruments, internal consistency techniques will be applied using Cronbach‟s Alpha. The alpha value ranges between 0 and 1 with reliability increasing with the increase in value. Coefficient of 0.6-0.7 is a commonly accepted rule of thumb that indicates acceptable reliability and 0.8 or higher indicated good reliability (Mugenda, 2008). The pilot data will not be included in the actual study. The reliability test was conducted. The reliability test recorded the cronbach's alpha 0.80 which is above the acceptable standard 0.6-0.7. Hence, the research is highly reliable.

Data Analysis

Once the data is collected it was checked for completeness ready for analysis. The data from the field will be first coded according to the themes researched on the study. The research is both quantitative and qualitative in nature. This implies that both descriptive statistics and conceptual content analysis will be employed. Analysis will be done with aid of the statistical package for social sciences (SPSS) package version 16.0. Descriptive statistics generated such as percentages, mean scores, standard deviation and proportions will be presented in tables, and figures. Qualitative data from open questions will be presented in prose. The adopted method of data analysis in this paper work was the analysis of variance (ANOVA) statistical tool as well as linear regression and to be tested on 5% level of significance

Data Presentation, Interpretation And Discussion Of Findings

A total of 184 copies of the questionnaire were administered to respondents but 179 (97.3%) copies of the questionnaire were retrieved and completely filled while 5(2.7%) were not retrieved. The data obtained from the field were coded and subject to analysis using computer software application of Statistical Package for Social Sciences (SPSS) version 16.0. The hypotheses were tested with analysis of variance (ANOVA) as well as multiple regression analysis at 5% level of significance.

Respondents Demographic Characteristics

In other to investigate the Knowledge, skills, professional experience and competence of respondents in audit environment, demographic characteristics or attributes of the respondents such as age, sex, educational qualification, work experience, their various departments, job titles and types of audits conducted in the public sector were properly elicited by the researcher.

Sex Of Respondents

Description	Frequency	Percent (%)
Male	106	59
Female	73	41
Total	179	100

Source: Field survey 2023

The findings of this research work clearly shows that majority of respondents 106 (59%) participated in the study were males and 73 (41%) were females respectively. This indicates that more males participated more than the women.

Age Of Respondents

The respondents were asked to indicate the age so as to establish the validity and reliability of the information provided with regards to the study objectives.

Description	Frequency	Percent (%)
20 - 30	40	22.4
31 - 40	74	41.4
41 and above	65	36.2
Total	179	100

Source: Field survey 2023

The table above shows that 22.4% of the respondents are the within the age of 20 – 30 while 41.4% of the respondents are within the age of 31 – 40 and the remaining 36.2% are within the age 41 and above.

Respondents Academic Qualification

The respondents' academic qualifications were accessed so as to establish the basis of knowledge, professional skills required for internal auditors and accountants in performing their responsibilities.

Description	Frequency	Percent (%)
HND/BSc	110	61.5
MSc/MBA	62	34.5
Ph.D	7	4
Total	179	100

Source: Field survey 2023

The analysis above shows that 61.5% of the respondents hold HND/BSc degrees and 34.5% holds MSc/MBA while the remaining 4% are working with Ph.D.

Respondents Work Experience

The respondents working experience were appraised and evaluated to ascertained the experienced they have acquired over the years.

Description	Frequency	Percent (%)
1– 5 years	40	22.4
5 – 10 years	62	34.5
10 – 15 years	47	26.3
15 years and above	30	16.8
Total	179	100

Source: Field survey 2023

The table shows that 22.4% of the respondents have been in the organization for 1 – 5 years then 34.5% have worked for 5 – 10 years, 26.3% of the respondents have worked for 10 – 15 years and 16.8% of the respondents have worked above 15 years.

Respondents Job Title

Description	Frequency	Percent (%)
Internal Auditors	105	58.7
Accountants	74	41.3
Total	179	100

Source: Field survey 2023

The table shows that 58.7% are accountants and 41.3% are internal auditors were the core respondents to this research work.

Types Of Audit In Public Sector

Description	Frequency	Percent (%)
Compliance	68	38
Performance	61	34
Financial	50	28
Total	179	100

Source: Field survey 2023

The table shows that 38% of compliance audit is conducted in the public sector, while 34% is conducted on performance audit and the remaining 28% is conducted on financial audit.

Work Place Of Respondents

Description	Frequency	Percent (%)
Ministries in Bayelsa State	105	58.7
Teaching Hospital, Okolobiri	29	16.3
Board of internal revenue	20	11.2
Radio Bayelsa	15	8.4
Diete Koki Hospital, Opolo	10	5.4
Total	179	100

Source: Field survey 2023

The table shows that 58.7% of the respondents' information emanated from the ministries while 16.3% data were collected from teaching hospital, Okolobiri, 11.2% data were collected from board of internal revenue, 8.4% respondents from radio Bayelsa and the remaining 5.4% from Diete Koki hospital, Opolo.

Internal Audit Independence And Quality Of Financial Management

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.711	1	.711	15.800	.001[a]
	Residual	.268	178	.045		
	Total	.979	179			

a. Predictors: (Constant), INDEPENDENCE

b. Dependent Variable: QPFM

Source: Field survey 2023

Regression Result of Internal Audit Independence and Quality of Financial Management

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	10.588	2.508		4.221	.006
	INDEPENDENCE	.869	.230	.664	3.778	.001

a. Dependent Variable: QPFM

Source: Field survey 2023

Internal Audit Independence and Quality of Financial Management

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.864[a]	.741	.717	.21120

a. Predictors: (Constant), INDEPENDENCE

Source: Field survey 2023

Interpretation Of Results Of Internal Audit Independence And Quality of financial management.

If the P-value is greater than 0.05 level of significant, accept the null hypothesis which says that Internal Audit independence and Quality of Financial Management.

i. If the p-value is less than 0.05 level of significant, reject the null hypothesis which says that internal audit independence does not enhance quality of public financial management.

The P-value (0.001) from the calculation of the ANOVA is less than 0.05 (p-value-0.001 <0.05) or F-statistics (15.800) > F-table value(5.99).Thus, reject the null hypothesis which says internal audit independence does not enhance quality of public financial management and accept the alternate hypothesis. Meaning that internal audit independence does enhance the quality of public financial management.

Decision Rule for the Regression Result

ii. If the p-value of internal audit independence If the P-value is greater than 0.05 level of significant , accept the null hypothesis which says that internal audit independence does not enhance quality of public financial management.
iii. If the p-value is less than 0.05 level of significant, reject the null hypothesis which says that internal audit independence does not enhance quality of public financial management.
iv. Or if the T-statistics is greater than 2 or the critical value, reject the null hypothesis otherwise accept the null hypothesis

Coefficient of the Constant = 10.588 , p-value = 0.001, t –statistics = 4.221, t-table =2.447

Coefficient of internal audit independence = 0 .869, p-value =0.001 ,t-statistics=3.778, t-table =2.447

R square (the explanatory power of the model or line of good fit) = 0.741

Adjusted R square =0 .717

From the result, internal audit independence has a positive relationship with the quality of public financial management. One (1%) percent increase in internal audit independence will bring about 98.1 percent increase in the quality of public financial management.
The p-value of internal audit independence is 0.001 which is less than 0.05percent level of significant or t-statistics (3.778) > t-table value (2.447), thus the null hypothesis is rejected and the alternate hypothesis is accepted. Meaning that , internal audit independence has significantly enhanced the quality of public financial management.

The R square(0.741) and the adjusted R square (0 .717) -which are the explanatory power of the model also indicated that internal audit independence has contributed to the quality of public financial management by 74.1 percent or 71.7 percent.

Internal Audit Objectivity and Quality of Financial Management

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.319	1	.319	11.815	.014[a]
	Residual	.160	178	.027		
	Total	.479	179			

a. Predictors: (Constant), OBJECTIVITY

b. Dependent Variable: QPFM

Source: Field survey 2023

Regression results of Internal Audit Objectivity and Quality of Financial Management

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.224	2.261		3.638	.011
	OBJECTIVITY	.869	.268	.816	3.243	.014

a. Dependent Variable: QPFM

Source: Field survey 2023

Internal Audit Objectivity and Quality of Financial Management

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.816[a]	.666	.610	.16324

a. Predictors: (Constant), OBJECTIVITY
Source: Field survey 2023

Interpretation of results of internal audit objectivity and quality of financial management.
If the P-value is greater than 0.05 level of significance, accept the null hypothesis which says that Internal Audit objectivity and Quality of Financial Management.

i. If the p-value is less than 0.05 level of significant, reject the null hypothesis which says that internal audit objectivity does not enhance quality of public financial management.

The P-value (0.001) from the calculation of the ANOVA is less than 0.05 (p-value-0.001 <0.05). Again, the F-statistics (11.815) > F-table value (5.99).Thus, reject the null hypothesis which says internal audit objectivity does not enhance quality of public financial management and accept the alternate hypothesis. Meaning that internal audit objectivity does enhance the quality of public financial management.

Decision Rule for the Regression Result

If the p-value of internal audit objectivity If the P-value is greater than 0.05 level of significant, accept the null hypothesis which says that internal audit objectivity does not enhance quality of public financial management.

If the p-value is less than 0.05 level of significant, reject the null hypothesis which says that internal audit objectivity does not enhance quality of public financial management.

Or if the T-value is greater than 2 or the critical value, reject the null hypothesis otherwise accept the null hypothesis

Coefficient of the Constant = 8.224, p-value = 0.001, t –value = 3.638
Coefficient of internal audit objectivity = 0 .869, p-value =0.001, t-value=3.243, t-table value =2.447
R square (the explanatory power of the model or line of good fit) = 0.666
Adjusted R square =0 .610
From the result, internal audit objectivity has a positive relationship with the quality of public financial management. One (1%) percent increase in internal audit objectivity will bring about 98.1 percent increase in the quality of public financial management.
The p-value of internal audit independence is 0.001 which is less than 0.05percent level of significant or t-statistics (3.243) > t-table value (2.447), thus the null hypothesis is rejected and the

alternate hypothesis is accepted. Meaning that, internal audit objectivity has significantly enhanced the quality of public financial management.

The R square(0.666) and the adjusted R square (0 .610) -which are the explanatory power of the model also indicated that internal audit objectivity has contributed to the quality of public financial management by 66.1 percent or 61 percent.

Summary Table of Findings

The result of the entire hypothesis tested can be summarized in the table as we have below:

Summary Table of Findings

S/N	Models	Apriori expectations
1	$Y1 = \alpha 0 + ß1x1+\mu$.................(1)	$P < 0.05$; H01 was rejected
2	$Y2 = \alpha 0 + ß2x2+\mu$.................(2)	$P < 0.05$; H02 was rejected

Source: Research Study, 2023

The hypotheses proposed for model 1 and 2 were rejected, because their p values were less than 0.05, meaning that the analyses were significant. This means that internal audit effectiveness has significant and positive effects on quality of public financial management and report in the public sector of Bayelsa State, Nigeria

Conclusion

The major objective of the study to determine the effectiveness of the internal audit proxy by (independence and objectivity) on the quality of public financial management in Bayelsa state. The study concluded that, internal audit effectiveness has a significant impact on the quality of financial management in the public sector in Bayelsa state.

More specifically, drawing from findings of this study are;

1. The result of hypothesis one which shows that the p-value (0.001) which is less than (0.005) and the F-calculated value (15.700) which is greater than (5.99). Thus, the null hypothesis is rejected. This means that internal audit independence has great influence on quality of public financial management. The findings of the study unveils that internal audit independence enhance transparency, credibility, reliability and accountability of public financial reports. It curb the case of information asymmetry, prevent the incidence of fraud embezzlement and looting of public funds and assests.
2. The objectivity of internal audit has a significant impact on quality of financial management. The result shows that p-value (0.001) which is less than (0.05). The F-statistic (11.815) which

is greater than the F-table value (5.99) hence, the null hypothesis rejected. This means that objectivity of internal audit has significant influence on quality of public financial report. It provides effective system for managing and accounting for physical and financial assets. It also ensure the strict adherence and compliance with statutory preparation and presentation of general purpose financial statement which aid users of financial statement to make sound economic, financing and investment decision.

Recommendations

1. The study recommends that internal auditors within the public entities should be qualified professionals, skillful, objective and independent in the discharging their responsibilities if they are to improve on the credibility and trust of financial reports prepared by public sector entities.
2. Adoption of global best practice is essential in ensuring qualitative service delivery and the quality of service from the internal audit function determines the reliance users will place on financial information communicated by public institution through their financial reports.
3. The regular training of the staff of internal audit department is necessary to sharpen their skills of implementation of necessary procedure.
4. I strongly recommend the full implementation of IPPIS, TSA and GIFMIS in the state government, this will go along way in minimizing corruption in the public sector as well as enhancing effective utilization of public funds which will foster socio-economic development in the state.
5. The study also recommend that auditing should consist of members with knowledge in accounting and finance which provides a good basis for audit members to examine and analyze financial information.
6. Also, implementation of high quality financial reporting practices and standards (IPSAs) will enhance the work of the internal auditors and even lessen their burden in carrying out their civic roles.

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