



INTERNAL AUDITING: A MANAGERIAL TOOL FOR EFFECTIVE ORGANISATIONAL CONTROL

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ABSTRACT

The statutory responsibility of an organization is to employ a system of control that improves its effectiveness and capital growth. Therefore, no meaningful organizational goal would be achieved without adequate internal control. Determining how Internal Audit could be a managerial tool for effective organizational control is still a subject of discussion. This paper examines the importance of Internal Auditing as tool for effective organizational control and evaluates its crucial objective in assisting management achieve its mission and vision. Bringing together existing knowledge on the basic processes of Internal Audit while stating the ideas in practical and useable form, the paper compares internal audit processes to other managerial functions. The paper concludes that lack of Internal Audit processes are the key factors that affects the smooth running and growth of an organization. The paper recommends among other things the independence of Internal Auditor for the purpose of carrying out their functions and effective managerial control.

INTRODUCTION

Internal Audit can be described as the eyes and ears of Management. This slogan crystallizes the importance of internal audit and emphasizes the need for its independence. The primary objective of Internal Audit is to assist management to manage better as historians have traced the roots of internal auditing to centuries B.C., as merchants verified receipts for grain brought to market. The real growth of the profession occurred in the 19th and 20th centuries with the expansion of corporate business. Demand grew for systems of control in companies conducting operations in many locations and employing thousands of people. Many people associate the genesis of modern internal auditing with the establishment of The Institute of Internal Auditors, USA. The year 1941 marked a major turning point. Victor Z. Brink, authored the first major book on internal auditing. And at the same time, John B. Thurston, internal auditor for the North American Company in New York, had been contemplating establishing an organization for internal auditors. Thurston and Milne had served together on an internal auditing subcommittee formed jointly by the Edison Electric Institute and the American Gas Association, and they agreed that further progress in bringing internal auditing to its proper level of recognition would be best made possible by forming an independent organization for internal auditors. When Brink's book came to the attention of Thurston, the three men got together and found they had a mutual interest in furthering the role of internal auditing.

As an organizing committee, Brink, Milne, Thurston, contacted a small group of internal audit practitioners throughout the United States who expressed interest in forming a national – even international – organization for internal auditors.



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The Institute of Internal Auditor's certificate of incorporation was filed on November 17, 1941, and just prior to the first annual meeting on December 9, 1941 the Williams Club located at 24 East 39th Street in New York City, 24 charter members were accepted for membership. Thurston was elected as the first president of The Institute of Internal Auditors an international professional association with global headquarters in Altamonte Springs, Florida, USA. The Institute of Internal Auditors is the internal audit profession's global voice, recognized authority, acknowledged leader, chief advocate, and principal educator. (Sridhar R.2003)

The above notwithstanding, Internal Audit is an area of auditing that has been neglected for long. Any interest in the study of internal audit function is usually affected by the paucity/dearth of the literature on the subject. Most accounting writings are on accounting theory and the external audit function. The neglect of internal auditing by accounting writers does a great deal of injustice to a tool which according to the Institute of Chartered Accountants of England and Wales has the major concern of assuring that the Internal check and accounting system are effective in design and operation(Aloysius 1983:26)

One of the important functions of any internal audit department is to objectively report its findings to management and recommend corrective action where necessary. If an internal auditor cannot objectively report, communicate and follow up on his/her recommendations, then he is not assisting management in promoting the efficient attainment of organization objective. (Aloysius 1983:26) hence many organizations have in recent times started to realize the importance of having an internal audit department because of its contribution to management efficiency.

OBJECTIVES OF THE STUDY

The objectives of this paper are to (i) Explain how internal auditing aids management in achieving efficiency and thereby contributing to organizational control effectiveness, and (ii) Enlighten the reader on the difference between the types of activity performed by the Internal Auditor and External (Independent) Auditor in helping management in its control function. The remaining part of the paper is structured thus: Section three focused on the Literature Review; while section four dealt with Historical Development of Internal Audit and its types. In section five, we x-rayed the Concept of Internal Control thus discussing Responsibilities and Functions of Management. Section six provided a cursory examination of the Contrast between Internal Auditing and Independent Auditing. Finally section seven and eight dealt with the Conclusion and Recommendations respectively.

LITERATURE REVIEW

Internal Control has been defined by the Institute of Chartered Accountants of England and Wales as all forms of control both financial and otherwise established by management in order to carry on the business of an enterprise in an orderly and efficient manner to safeguard its assets, to ensure adherence to management policies and to secure as far as possible the accuracy and reliability of its records. (Santock 1976:12). In the same vein Spooner (1976:9) defined internal control as the means employed within organization to monitor the execution of organizations policies, plans and procedures and to remedy, so far as is possible any errant performance.



It can be deduced that a system of internal control consists of all measures employed by a business for the purposes of (i) Safeguarding its resources against waste, fraud, and inefficiency (ii) Promoting accuracy and reliability in accounting and operating data; (iii) Encouraging and measuring compliance with company policy, and (iv) Judging the efficiency of operations in all divisions of the business.

The Comments go to suggest that control is much more than a device for preventing of fraud or the detection of accidental errors in the accounting processes.

Modern Concepts of Internal Control:

Internal control in present day usage embraces all departments and activities of a business concern. It includes the methods by which top management delegates authority, assigns responsibility for such functions as selling, purchasing, accounting and production. It also includes the programme for preparing, verifying and distributing to various levels of supervision those current reports and analyses which enable executives to maintain control over variety of activities and functions which constitute a large corporate enterprise. The use of budgetary techniques, production, standards, inspection, laboratories, time and motion studies and employee training programmes involve engineers and many other technicians far removed from accounting and financial activities; yet all of these devices are part of the mechanism now conceived as a system of internal control.

Effective Internal Control:

Enterprises should have a plan for their organization, defining and allocating responsibilities and identifying line of reporting all aspects of the enterprise's operations. The delegation of authority and responsibilities should be clearly specified. There should also be segregation of duties which eventually reduces the risk of intentional manipulation of error and increases the element of checking.

Custody of assets involving procedures and security measures should be designed to ensure that access to assets is limited to authorized personnel. In addition, all transactions should require authorization or approval by an appropriate responsible person. The limits for these authorizations should be specified. There should also be procedures to ensure that personnel have capabilities commensurate with their responsibilities.

Any system of Internal Control should include the supervision of day-to-day routine of the system by responsible officials and management.

Evaluation of Internal Control System:

In view of the enormous growth in their size and complexities, proper management of modern business undertakings is not possible unless they have an effective system of internal control. Hence sophisticated systems of management information and control have been introduced in many organizations. An Internal Auditor should, therefore, evaluate these systems as a part of his audit assignment.



The evaluation of internal control systems entails the assessment and appraisal of the system to determine its establishment. Though the system may claim to be effectively operational, however, there the human tendency to relax from its compliance, and gradually depart from the originally designed high standard of procedure.

Based on this, a programme of more or less independent method must be developed to test and appraise the manner in which the system of internal control is functioning.

Some methods usually adopted in test-checking the functioning of internal control system by organization are: employing the services of an external auditor to appraise it or the use of their internal audit department or employing the services of consulting firm. There are some characteristics of internal control system which are necessary for its evaluation.

Criteria for Internal Control System.

a. Reliable Personnel with Clear Responsibilities

Dishonest and incomplete workers can undermine a system. Individuals must be given authorities, responsibilities and duties commensurate with his/her abilities, and experience. The system needs constant surveillance and appraisal by management to determine if it is working according to the design and where some changes are warranted.

b. Separation of Duties

This ensures accurate compilation of data and limits the chances of fraud by collusion of two or more persons. Custody of assets should be separated from those accounting for them to reduce the temptation and fraud.

c. Proper Authorization

All transactions should be appropriately approved and executed in accordance with prescribed management's guideline. For example, there is usually the need for approval from the board of directors for capital expenditure in excess of certain limit.

d. Adequate Documentation

Documentation such as sales invoices and receipts, requisition notes and purchase order should be pre-numbered and accounted for, by using devices such as cash registers and locked compartments in invoice writing machines and by designing forms for ease recording.

e. Proper Procedures

Most big organizations use the manual procedure which spells out flow of document, information and instructions to facilitate adequate record keeping.

f. Physical Safeguard

One of the ways to prevent losses of cash, inventories and records is by using safes, locks, watchmen and restrict access to them.

g. Bonding, Vacations, Rotation of Duties



- Top executive handling cash and inventories should have people to understand them, go on vacations for another to perform their duties and be bonded to safeguard losses, fraud and embezzlement. Receivable and payable clerks should be periodically rotated.
- i. **Independent Check**
All phases of the system should be subjected to periodic review by independent persons, may be external auditors. Bank statements should be periodically reconciled with the book balances.
 - j. **Cost-Benefit Analysis**
In spite of the good effects of all controls already mentioned and discussed the choice of controls to be adopted by an organization need to reflect a comparison of the cost of operation against the benefits to be derived from them. Various professional accounting bodies now recognize the fact that evaluation of internal control system helps in formulation of a programme of detailed verification.

DEVELOPMENT OF INTERNAL AUDITING

The most widely accepted definition of the Internal Audit function is that used by the Institute of Internal Auditors of the United States of America. According to them Internal Auditing is an independent appraisal activity within an organization for the review of accounting, financial and other operations as a basis for service to management. It is managerial control which functions by measuring and evaluating the effectiveness of other controls. (Institute of Internal Auditors, 1957:6)

Some of the statements and claims advanced on behalf of modern Internal Auditing make it sound as if the changes in auditing procedures and philosophy which have occurred over the past decade or so amounted to something basically different from its old counterpart. For example, one writer says: "So sweeping has been this change that current definitions of internal auditing bear little resemblance to those in vogue ten or fifteen years ago" (Meigs, 1951:518)

He further said that "The words Internal Auditing are not new in business circles but the present concept of the Internal Auditors scope and objectives is very new". Few Universities, Polytechnics and Colleges have recognized the fact that a new and different branch of accounting is firmly entrenching itself through its deed in the accounting divisions of our forward-looking business organizations, many of which, even yet, do not fully understand and appreciate the present concept and either do not have the internal audit function or confuse it with routine checking.

These brief comments suggest that internal auditors are no longer satisfied to stop with a mere confirmation of the mathematical accuracy of the amounts reported in a company's financial statement instead they are more concerned with a detailed appraisal of the various company operations that are responsible for the figures in the accounts. Essentially the primary purpose of an internal audit investigation today is to determine whether proper safeguards have been established by management at all operating levels so that the company will receive full value for each amount of expense incurred.



The new orientation makes a lot of difference in the perception of the audit function. It is one thing for the auditor to be satisfied after verifying the accuracy of the reported inventory; but quite another for him to determine whether established procedures are being followed by competent operating personnel in order to minimize the amount of slow-moving stock, scrap any obsolete items, or see if purchasing procedures themselves are being carried out effectively. However, different levels of the investigation may be, and despite the more exhaustive inquiry required by the modern functions or business type - audit, the fact remains that the same underlying documents are used.

TYPES OF AUDIT

Accounting and Financial Audit

The internal auditor's objective in accounting and financial audits is usually to appraise the adequacy of the system of internal control. An adequate system of internal control ensures that

- a) Company Assets are properly accounted for and protected from loss by fraud, theft, or insurable hazards;
- b) Financial Transactions are properly classified and recorded in the accounting records;
- c) The Data contained in financial statements and reports are accurate and meaningfully presented, and
- d) The required work is performed in timely manner.

In this type of audit the emphasis is primarily on the adequacy of the accounting controls including organization plans to ensure the separation to duties concerned with record keeping and reporting from those concerned with custody of the assets and systems of authorization and approval.

Having reviewed the policies and procedures and examined transactions, the auditors must then make an appraisal of the result disclosed by his examination and form an opinion on the various policies and procedures in every respect so that the results are eminently satisfactory. If the procedures are not being followed as intended however, the resulting work may not be performed in accordance with plan.

Operational Audit

A natural outgrowth of the functional approach to Internal Auditing has been to expand the Internal Auditing horizon beyond the traditional accounting and financial activities. The term operational audit refers to appraisals of the administrative controls over activities than those included in accounting and financial audits. The operational audit concentrates on seeking out aspects of operations in which waste, inefficiency and excessive costs would be subject to reduction by the introduction or improvement of operating controls. For example, some of the activities regularly covered by operational audits are; purchasing, receiving, shipping traffic, stores, personnel, office services, production control engineering quality control, insurance, advertising, and marketing.



Objectives of Internal Audit to Management

Top Management Needs:

Assurance that its plans (as set forth in statements of objectives programmes and budgets) are comprehensive, consistent, and understood at the operating levels; objective information on how well its plans and policies are being carried out at the operating levels; and re-assurance that all operating reports can be relied on as a basis for action.

Operating Management Needs:

Information on weaknesses in administrative controls, particularly as to possible sources of waste; and aid in measuring the efficiency of operations by feedback of information on the quality and cost of the work and adherence to schedule. In attempting to meet these managerial needs, the internal auditor samples the work performed to see whether it is done in accordance with approved procedures. He verifies the accuracy and consistency of the information contained in operation reports and he studies the format of these reports to determine whether the information is presented in meaningful form

In operational auditing, the internal auditor becomes a part of the management team, taking a management approach in choosing operating areas to be reviewed and in evaluating the method of operation and the controls that he finds.

INTERNAL CONTROL - RESPONSIBILITY AND FUNCTION OF MANAGEMENT

The broad definition of internal control may be conveniently summarized by stating that internal control is the means by which management obtains the information, protection, and control that are vital to the successful operation of a business.

Control is necessary to assure that management policies and directives are properly adhered to. Management removed from the scene of operation in the typical large business and personal supervision of employees is an impossibility. As a substitute, management must rely on various control techniques to implement its decision and goals.

The brief comments should suggest that good internal control is a key factor in the effective management of a business enterprise. Internal control is also the means by which management can best discharge its primary responsibility for the reporting of adequate and accurate information to parties such as stakeholders and creditors.

Limitations of Internal Control

Internal control system cannot be regarded as completely effective, regardless of the care followed in their design and implementation.

An internal control system can provide only reasonable assurance that the management's objectives in establishing the system are achieved. This is due to the fact that any internal control system has certain inherent limitations. These limitations arise due to the following reasons:



- a. Controls have to be cost-effective. Thus, some control may not be instituted merely because they are cost effective.
- b. Most controls are directed at transactions of a usual nature. Therefore, transactions of an on-unusual nature might escape being subjected to rigorous controls.
- c. Authorization controls can also be abused by those in whom authority is vested.
- d. In any case, the potential of human error remains in any system control. This may be due to errors of judgment and interpretation, misunderstanding, carelessness, fatigue or distraction. These errors can undermine the effective operation of internal controls.
- e. No system can prevent fraud through collusion between two or more persons.
- f. Pressure exerted from within and outside the enterprise can influence the integrity and competence of staff.
- g. A member of the management may himself override the controls set up.
- h. Controls may not keep pace with changes in conditions.
- i. Management itself may manipulate transactions or estimates.

The responsibility for establishing and maintaining an adequate system of Internal Control lies with management. It is a responsibility of management to decide the extent of the internal control system which is appropriate to the enterprise.

The nature and extent of controls will vary between enterprises and also from one part of an enterprise to another. The controls used will depend on the nature, size and volume of the transactions, the degree of control which members of management are able to exercise personally, the geographical distribution of the enterprise and many other factors. The choice of controls may reflect a comparison of the cost of operating individual controls against the benefits expected to be derived from them. Management has recognized internal control as a valuable tool in effectively carrying out its responsibilities and auditors have pressed for improvement in internal control in their efforts to be of assistance to management, as well as to permit reductions in audit work made possible by the concomitant increase in the credibility of the accounting records. The effect on auditing has been to reduce the need for routine mechanical verification of book-keeping accuracy permitting substitution of a less time consuming approach that involves reasoning and judgment and stresses such activities as review, analysis, evaluation, and statistical sampling. There will usually be some respect which the possible errors or losses to the business are not sufficient material to justify the additional expense which would be incurred by extending the control system

Apart from the work which the internal auditors should themselves do if they encounter lapses in the system of internal control, it is good practice for them to advise management preferably in writing, with the aim or objective of assisting the management in the discharge of its obligation to control and safeguard the assets of the company.

Above all, the overall objective of Internal Auditing is to assist all members of management in the effective discharge of their responsibilities by furnishing them with objective analysis, appraisal, recommendations, and pertinent comments concerning the activities reviewed. The Internal Auditor therefore should be concerned with any phase of



business activity wherein he can be of service to management. The attainment of this overall objective of services to management should involve such activities as reviewing and appraising the soundness, adequacy and application of accounting, financial, and operating controls ascertaining the extent of compliance with established policies, plans and procedures; ascertaining the extent to which company assets are accounted for and safeguarded from losses of all kinds; ascertaining the reliability of accounting and other data developed within the organization and appraising the quality of performance in carrying out assigned responsibilities (Institute of Internal Auditors, 1957).

In the same vein, Ward Burns 1957:18 summarizes his views on what management expects from internal audit as follows:- The internal auditor is expected to look at the various functions of the business and evaluate them as one overall function. He should also be thoroughly familiar with corporate policies and internal controls and to know the facts upon which he is reporting.

He has to present findings in a clear, concise written report and to instigate corrective action as soon as it is obviously necessary. The internal auditor should be available on demands to all areas of the company for consultation on matters and techniques of control. He should have the time to evaluate, analyze and recommend. In addition he should be ethical and competent (Burns, 1975:18).

Although the auditor is deeply concerned with the existence and quality of all significant control features, he should never give management the impression that the audit function itself acts as a substitute for effective management control. The responsibilities of management in this direction are paramount and are based upon statutory requirements derived from the principle of stewardship. The presence of the internal auditor should never, therefore, full the management into attitudes of complacency.

An Aid to Effective Control

Internal auditing is a staff function rather than a line function. Therefore the internal auditor does not exercise direct authority over other persons in the organization whose work he reviews. The internal auditor should be free to review and appraise policies, plans, procedures and records; but his review and appraisal do not in any way relieve other persons in the organization of the responsibilities assigned to them.

Internal Auditing In Small Company

The emphasis in many smaller companies is directed toward the review of the accounting records for accuracy and propriety and the protective functions involved in cash funds, bank reconciliations, inspection of securities, inventory counts, and tests of payroll preparation and distribution. The title of "Internal Auditor" is sometimes given to a line executive who supervises the accounting function and has no real auditing responsibility. For example, executive of the home office staff look to the internal audit group for help in supplementing their own visits to the field. They recognize that without the help of the internal auditors in checking on adherence to company policies and procedures of the various plant, their problem of control would be considerably increased and they find it reassuring to know that there is an independent appraisal group out in the field checking operations for any serious discrepancies.



However, in many small companies the function is properly recognized and much valuable work is performed by internal auditors who operate alone or have only one or two assistants.

Internal Auditing in Large Organizations

The top executives in large enterprises are far removed from the details. The vast number of employees; the successive tiers of supervision, the variety and scope of operations, and the number and technical complexity of products make it apparent that guidance and control of corporate activities can be exercised only through the establishment of broad policies. These policies must be transmitted down through the various levels of supervision to operating personnel by means of written directives, manuals, and outlines of methods and procedures.

Authority is delegated by management to such large numbers of supervisors that a wide, troublesome gulf develops between top executives and the operations which they direct. Under these circumstances, top management must rely upon accounting and statistical reports for information on the progress of operations and the well-being of the multitude of departments, sections, and groups which comprise the corporate entity.

Management needs to know whether the reports it receives are accurate and adequate, and whether the policies it has formulated are being effectively translated into action in all sections of the business. Management must be informed as to whether employees are being properly trained and understand the rules and procedures they are expected to follow, whether supervision is effective and whether records and procedures are being kept up to date and modified to fit the constantly changing pattern of operations. In brief, management needs the fulltime services of internal auditors to report on the functioning of all phases of corporate activity. These auditors must be thoroughly familiar with the policies and plans of the organization, its methods and procedures, its personnel, and its physical facilities. The value of such auditors obviously will increase with the years spent in the organization. This group of internal auditors will recognize only one responsibility, that of rendering maximum service to management in its efforts toward efficient administration of the enterprise.

The internal auditors also face a most challenging assignment if they are to provide management with the information it needs for the most effective control of operations.

Supervisory Level

The contribution of Internal Audit departments is not confined to top management levels. Internal Auditors can do a great deal of constructive work at the lower operating level too. After all, supervisors at the lowest echelons are just as interested, say in having the assurance that their activities are being carried out effectively and in accordance with established company policies and procedures as are management people at other levies. Apart from this, if, as often happens, some of the home office policies and procedures proved particularly perplexing and inapplicable to certain activities of the supervisors and other personnel of comparable rank, it is the responsibility of the Internal Audit Department to report such difficulties to the home office and get them straightened out.



Reporting Deficiencies

Any benefits to be derived from the internal auditor's activities will be accomplished through the medium of reports on his findings and recommendations. It is important that the internal auditor reports as soon as practicable significant weaknesses in internal controls which come to his attention during the course of an audit to an appropriate senior level management of the enterprise.

One important problem has to do with the treatment of deficiencies observed in the course of an audit. Considerate discernment must be exercised by the audit department in deciding upon what deficiencies it finds necessary to report upon and also by management in deciding how to follow up these deficiencies. If deficiencies are very serious, the internal auditor may make a follow-up review to ascertain that corrective action has actually been taken.

In short, both management and auditors must candidly recognize that they are appraising many deficiencies from the distorting vantage point of hindsight. If they recognize this limitation by soliciting the views of operation personnel, internal auditing becomes a cooperative enterprise with opportunities for a will not then be regarded as the secret police of the home office.

Even though this article has enlightened the reader on the function of internal auditing, it is still being considered as identical with auditing performed by an independent auditor with the exception that internal auditing is performed by an organization's own employees. In the following section a clear distinction between the two types of activity will be discussed.

INTERNAL AUDITING AND INDEPENDENT AUDITING CONTRASTED

Although there is considerable similarity between Internal Auditing and Independent Auditing, it is the difference between the two activities that is most important. The following principal differences should be helpful in maintaining a clear distinction between the two types of activity. The audit work performed by internal auditors differs from that performed by independent public accountants in several important respects. The first of these is related to the question of responsibility.

The independent public accountant's responsibility is directed toward several different segments of society including stockholders, creditors, various government agencies, sometimes employees and their bargaining agents and the general public. The internal auditor, on the other hand, is responsible only to the management of the company in which he is employed. He is frequently directly responsible to one or more of the top officers of the company. His concern is primarily to assist managers in doing a first rate job of running the company's affairs by providing them with assurance that the various control mechanisms on which they depend are sound and are working as intended.

A second difference between the audit work of the internal auditor and the independent public accountant is their respective approaches to an examination. The independent auditor is concerned with the verification to the statements



representing the company's financial condition at a specific date and the operating results for a specific period, The internal auditor is more concerned with the question of whether or not the record-keeping system is sound and will provide accurate information on a continuing basis rather than only at certain fixed date. He is also concerned with whether the methods for accumulating that information into the various regular reports issue ensure that management will have reliable data as a basis for current action rather than as a historical note.

A third factor distinguishing the work of the internal auditor from that of the independent public accountant reflects their differing interests in the company's system of internal control. The definition of internal control issued by the American Institute of Certified Accountants identifies two types of internal control namely financial and administrative. As previously described, the independent public accountant is concerned with the system of financial controls and must be an expert in this field. The internal auditor, while interested in financial controls, must also be an expert in various types of administrative controls since his responsibility runs not only to the accounting and financial executives but across the board to all areas of management. His major function is to provide the necessary assurance to corporate management that the entire system of internal control, both financial and administrative, is sound and is operating as intended in all respect. Thus he must be familiar with the organizational controls, statements of objectives, general policy statement and directives, procedures for operations, standards of performance, devices for measuring actual performance against standards, and all of the other control media which go to make up the system of administrative control over the entire area of operations in the sense the work of the internal auditor will cover a broader field than that of the independent auditor.

CONCLUSION

Contemporary internal auditing provides a constructive service to the branches of management. It is now concerned with appraising the effectiveness of internal control in operational areas such as production and marketing as well as traditional areas of accountancy and finance. To be able to perform this function effectively, the internal auditor should be independent.

In support of this, Rao (1982:739) states: "Without an internal auditor being independent there is no purpose in even considering the setting up of an internal audit department, however, the problem could be resolved in two ways:-

RECOMMENDATION

- a. The reporting status may be raised to the level of Head of Organization and the internal auditor should himself resist any attempt to undermine his independence
- b. In the same vein Spooner (1914: 13) states: "An internal auditor should be independent if he is to contribute significantly to organizational effectiveness. It is necessary for an internal auditor to be independent so that he can provide impartial and unbiased judgments on the area he is auditing. Internal auditors are independent when they carry out their work freely and objectively. It is by so doing that internal audit can help to improve the effectiveness of an organization while performing his functions objectively.



It should be noted that the primary responsibility for preventing deficiencies and stimulating new ideas belongs not to the audit department, but to management. In this regard internal auditing can only be a managerial tool for effective control not a substitute for it.

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