HAAGA-HELIA
University of Applied Sciences

Analysing the importance of internal auditors for John Holt Nigeria Plc.

Gbenga Tijani

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Author or authors Gbenga Tijani	**Group or year of entry** GloBBA11S
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Teacher(s) or supervisor(s) Anne Arkima, Jaana Melamies.	

This bachelor's thesis deals with analysing the importance of internal auditors for the company. It aims to solve the issue about the way the new management of John Holt Nigeria Plc perceives the internal audit department. The management of the company believe that the organization can function effectively without the internal audit department. Therefore, as a result of the ongoing downsizing process in the company, the management is considering scrapping the audit department. The main objective of this research is to ascertain the impact and values of internal auditors as well as their roles and responsibilities to John Holt Nigeria Plc.

This thesis consists of a theory and empirical section. The theory section will discuss about auditing, accounting, internal auditing and characteristics of an internal auditor which will be established by studying relevant literature, books, articles and internet sources. The empirical part will focus on the result of interviews conducted. The study will be based on qualitative method and will adopt interview as the main research tool which will be carried out with some senior managers who has experience about the subject matter.

The findings will enable the management to decide if the internal audit department will be useful and beneficial to the organization or not. The conclusion will be based on the result of the research while recommendation will be drawn from conclusion which will assist the management to decide if the functions, roles and responsibilities of the internal audit department are vital to the overall effective performance of the organization or maybe the department should be scrapped.

It is imperative for John Holt Plc to know the impacts and values of the internal audit department. The author therefore recommend that the management of John Holt Nigeria Plc should consider carefully several risks that might occur if the internal audit department is eventually scrapped without any alternative in place

Keywords
Accounting, Auditor, Auditing, Internal Auditing, Audit risk and Failure.

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1 Introduction

Over the past years, the scope of auditing has broadened due to the dramatic changes in its impact to organizations. It has always been carried out in diverse environment within organization depending on the structure, size and purpose (Faudziah, Haron & Jantan 2005). Compulsorily, all registered companies under the Companies and Allied Matters Act in Nigeria must audit their financial statements after a certain period of time. Companies benefit from the audited financial statement in a large variety of ways. Users of financial information such as investors, stockbrokers and financial experts sees the audited financial statement as a major thing to look out for when deciding on a choice of company to invest. These people rely on the auditor's report because they believe it gives a true and fair view of the financial statement.

Never the less, many companies have also drifted away from the use of internal auditors. While some perceives the department as a cost centre that does not generate revenue, some regard it as a unit whose value is not appreciated. Therefore, while some appreciate the advantages that are derived from having internal auditors others believe they are irrelevant and waste of money. Gone are the days when auditing is just about reviewing records or detecting irregularities and frauds. Modern auditing has developed and has thus increased the need of investors in requesting for credible financial statements.

According to Adeniji (2012, 1), Auditing is defined as an independent, objective assurance and consulting actions established to add value and help to improve an organization's operation. The actions carried out is done by an independent person called an Auditor. The independence in context refers to someone been free from all material conflicts such that the objectivity of the audit work is not threatened (Christopher, Sarens & Leung 2008). There must not be any form of interference with the independence of an auditor in discharging his or her duties. An auditor should be given freedom in planning, executing, analyzing and reporting his findings without been biased.

Apart from the fact that auditors express their opinion on the financial statement, they also conduct examinations on the financial records of the organization. The report in which auditors analyses their facts, give their opinions and recommendations is called audit report. The audit report is a vital information to the users of audited statements in making decisions.

According to the requirements of Nigerian stock exchange, all companies listed on the stock market must have their financial statement audited. Also companies and allied matters act (CAMA) 2004 request that auditors need to express their opinion on whether the financial statement is prepared in accordance with the act and if the balance sheet, profit and loss account and group accounts shows a true and fair view. However, there are many issues hindering an auditing assignment. Such issues needs to be managed and curbed from future occurrence if possible in order to avert possible damage that might be caused.

1.1 Background

There has been some discussion on a live tv streaming broadcast about the difference between internal and external auditor. Some owners have argued and queried the role of internal auditors while at the end of the financial year,they still invite the external auditor to conduct the financial year audit. The aim of majority of these companies are to make profit and also cut their cost whenever they have liquidity issues. Internal audit department, tax and payroll department and other departments are always victim of such issue whenever it comes to downsizing all because they are regarded as cost centre that generates no-profit for the organization. While some organizations acknowledge the need for the department, others believe they are irrelevant or less important.

The topic came as a result of the perception of the new management of John Holt Nigeria Plc. Yearly decline in the annual profit of the company has made the management to embark on downsizing . The management of the company believe that the organization can function effectively without the internal audit department and as a result of that, the management is considering scrapping the audit department . Therefore, the department is faced with a problem of convincing the management why the department should not be wiped out.

1.2 Research question

The topic is about analysing the importance of internal auditors for John Holt Nigeria Plc. As the name implies, it will cover details why internal auditors are needed in an organization, their impacts and values as well as auditor's liability. It will also focus on what exactly are the duties of internal auditors in an organization as well as the advantages companies derive from having the internal audit department. The goal is to identify internal auditor's key roles and responsibilities, their contributions and reasons why the department is regarded as vital one among many others. These goals will be accomplished by providing answers to the investigative questions that are linked to the research question below.

Research question: What is the importance of internal auditors in John Holt Nigeria Plc.
Investigative questions:

- 1. What are the key responsibilities of internal auditors in an organization?
- 2. What is required of internal auditors in an organization?
- 3. What are the benefits of having internal auditors in an organization?

Furthermore, beside the investigative questions, the theoretical frameworks will emphasis on accounting and the connection that exist between accounting and auditing. Attention will be given to history and evolution of auditing, its categorization, internal auditor's roles and responsibilities including development in internal audit. Audit risk and failure will also be examined and researched. The empirical aspect, analysis and presentation of the result should provide a detailed answer to the research question.

All necessary information and aspects to be covered in this research are highlighted in the overlay matrix. Beginning from the research question to different investigative questions, it will convey the selected theories, concepts and models coupled in designing the interview framework adopted in this research including measurement questions, theoretical framework, data analysis and results.

1.3 Demarcation

In order to distinguish this thesis topic from topics that does not belong in it or that are very close to it, it will be of great benefit to define the criteria for demarcation. When researching the above topic, emphasis will be placed on auditing, audit classification, internal auditor's liability, internal auditor's code of ethics and their roles and responsibilities.

Also, because of the similarity that exist between auditing and accounting, similar questions related to accounting information, users of accounting information and relationship between accounting and auditing will need to be answered. The main reason for this is because we cannot research about internal auditing without mentioning accounting and also, they form sub-topics within the subject area.

The topic does not include roles and responsibilities of external auditors. It will not cover specialised investigations and audit as well as emerging concerns in auditing. Also financial fraud, budgeting and cost management and other topics are outside the research area and are therefore excluded. The aim of not including the above listed topics in the research is to ensure diversion from the main subject area does not happen in order to achieve the goals.

1.4 Key concepts

This chapter reveals the meaning of the concepts employed during the process of this research. Each of the concepts will be explained in details in the later chapter of the theoretical framework. Emphasis will be placed on each to gain better understanding of the concepts.

Auditor: An auditor is any human being who has been trained to review and carry out independent verification and objectivity that accurately link the activities of a company to the accounting data provided by the same audited company (E-conomic 2013)

Accounting: The process of ensuring financial transactions of a business entity are recorded, summarized and reported for decision makers (Horngren, Sundem, Elliot & Philbrick 2006, 4).

Auditing: The accumulation and evaluation of evidence about information to determine and report on the degree of correspondence between the information and established criteria (Elder, Beasley & Arens 2010, 4).

Internal auditing: It is an independent, objective assurance, consulting actions as well as the process of monitoring and examining the activities of an organization which is aimed at adding value to its operations (The institute of internal auditors 2014).

Audit risk and failure: It is the risk that occurs when an auditor's opinion on a financial statement is declared inappropriate, unqualified or biased (Adeniji 2012, 174).
An audit is said to have failed when errors, irregularities, fraud and misappropriation is noticed within the scoped of a completed audit assignment.

1.5 Difference between internal and external auditing

It is imperative to know that despite the similarities internal and external auditing exhibit in common, they still have some differences. According to Adeniji (2012, 16), there are certain differences in the aspect of their approach, scope, objectives, legal basis and responsibility.

- Internal auditing objectives is to evaluate risk and advise management of an organization on its control system to ensure effective and efficient performance while external auditing's aim is to ascertain if the financial transactions of an organizations shows a true and fair view (Adeniji 2012, 16).

- While external audit is legally required by law for all limited companies, organizations and bodies, internal audit is not legally required.
- The scope of internal audit focuses on every aspect of the organization such as financial and non-financial areas while external auditing focuses more on the financial aspect.
- The approach to internal audit is to assess risk, examine the system's operations, report finding and give recommendations. External audit approach is based on examining the transactions and records of accounts used in generating the financial statement (Adeniji 2012, 16).
- Lastly, while the responsibility of internal audit is to evaluate risk, report findings and make recommendation on internal control system and governance, external audit is saddled with the responsibility of expressing independent opinion on the true and fair view of the financial statement (Adeniji 2012, 16).

1.6 Company introduction

John Holt Nigeria Plc was founded in the year 1961. The company is a subsidiary of John Holt & Co (Liverpool) limited based in United Kingdom which was founded by John Holt in 1897. It is a Nigerian conglomerate and got listed on the Nigerian stock exchange in May, 1974. The company is located at plot 1609 Adeola Hopewell street, Victoria Island, Lagos, Nigeria. Its mission is to ensure the stakeholders are impacted upon positively while its vision is to be rank among the leading conglomerates in the year 2014. The company has about 6 divisions which comprises of Holt cooling, Holt engineering, Fire protection unit, Fabrication and assembling, Yamaco & Almarine and Holt construction. It also engages in servicing of Yamaha generators, diesel generators, boat engine, motorcycles, transformers and air conditioners.

John Holt plc has about 2,000 employees with several branches across the states of the country. The company is classified as one of the major leaders in the conglomerate section and also the sole distributor of F.G Wilson generating plant in Nigeria. It has been experiencing decline in its turnover and profit for the past few years which is one of the reasons it decided to downsize. According to deputy head of the audit department (DHIA), some of the reasons for the company's profit decline have been attributed to the fact of poor management by previous managing directors, non-compliance with company policies and procedures and act of ignoring recommendations made by internal or external auditors. The company adopt a kind of hierarchical structure which allows the internal audit department to report to the managing director and also to the audit committee. Audit assignments or investigations that are of great importance are reported to the audit committee while audit assignments such as operations audit, stock verification and debtors' verification are reported to the managing director.

1.7 Structure of the study

The research study comprises of five parts and they are arranged in logical manner that will aid the understanding of the reader. They consist of introductory part, theoretical framework, research methodology, empirical research as well as findings, result, and recommendation.

The introductory part will define the background, thesis topic, its goals, key concepts that are used and brief description of the company.
The chapter two of this research which is theoretical framework is broken down on sub-chapters and will focus on describing in details several theories that are used in the process of this research. The research methodology will give the reader better insight about research method adopted, research design and process and method of data collection used.

The empirical part will form the aspect where data collected from respondents through the interview framework are interpreted, analysed and result are drawn in order to achieve the set goals mentioned earlier.

The final part of this research will comprises of the conclusion and recommendation which are the concluding part of this thesis. The conclusion will be based on research and review of other chapters while the recommendation will be drawn from the result of the overall findings.

2 Theoretical frame of reference

Audit started hundreds of years ago. The word "audire" is a Latin verb that gives birth to the word "audit" which signifies "to hear". According to Pickett (2010, 7), Sawyer Lawrence is regarded as the father of internal auditing. In the past years, auditing was seen as a mere clerical function concerned with checking of accounts and records to detect errors and frauds. As far back as the nineteenth century, owners of business organizations needed someone to give them independent evaluation of their business performance to ascertain the frauds, errors and irregularities because of the fact that they cannot please themselves and their managers as well cannot give a detailed evaluation of their business performance. These needs gave birth to the external auditing profession (Pickett 2010, 8). An auditor is an independent person who confirms the credibility of financial statement after careful verification of the information prepared by the managers (Horngren, Sundem & Elliott 2002, 24).

Later on, internal auditing began to develop gradually. Initially, it was just about accounting records, review of revenue and expenditure as well as receipts and payments to ensure their accountability. The development begins to span to risk management, corporate governance, assurance and consulting services. Internal auditing now expands to those areas that are not financially related. In the olden century, the internal audit department usually comprises of few employees who are responsible to the assistant accountant. The responsibility to an assistant accountant does not allow independence in an audit assignment. This necessitates the need for the internal audit department to be separated from the accounting department (Pickett 2011, 8).

This separation now widens and broadens the scope of internal auditing. The growth leads to review and audit of stocks, audit of assets and non-assets, operational audit, investigation, spot check, stocktaking, compliance of policies, laws and verification exercise. Introduction of probity work allows internal auditors to visit branches and offices on audit assignment without announcing their arrival (Adeniji 2012, 3).

2.1 Accounting

There are quite many definitions of accounting. Some researchers refer to accounting as a process, an action or an act. According to Harrison, Horngren, Thomas, and Suwardy (2011, 3), accounting is the language that business understand. Once we understand the language, it's much easier for individual and entities to manage their finances.

Accounting is the process of which financial transactions of a business entity are recorded summarized and reported for decision makers (Horngren, Sundem, Elliot & Philbrick 2006, 4).

The decision makers can be individuals, corporate entities, organizations or group of companies. The result communicated to decision makers helps them in making their decision. Financial information is identified by the accountant who is the sole principal saddled with the responsibility of preparing the account.

When shareholders invest in a company, they are eager to know if their investment will yield some returns. The profit, turnover and overall evaluation of a company's performance are key components they look out for. Accounting has three key elements which are to detect, to assess and to communicate (Black 2009, 2). Capital, expenses, revenue, assets, liabilities, expenditure and cash are items to be identified. Also these items are to be measured in monetary values and communicate the results to end users. According to Black (2009, 4) accounting can be classified into two categories (financial accounting and managerial accounting).

Black (2009, 4) further defines financial accounting as the act of recording and summarising daily transactions of an organization in order to meet the need of the end users.

Management accounting is information meant for internal use that assists managers in planning and decision making (Horngren, Harrison & Oliver 2009, 3). Whichever of the above accounts that is been prepared; there is always a qualified person within the organization who has the knowledge and background of recording and preparing the accounts. The person in context is called the accountant. The accountant is responsible for recording day-to-day transactions of the organization, prepare budget, handles disbursement and receipts of funds and as well prepares the final accounts.

2.1.1 Accounting Information

When we talk of accounting, the real purpose is to gather and acquire information that will be used in preparation of the final accounts for the usefulness of the decision makers. Firstly, there is the need to know what is been accounted for. In an organization, assets, liabilities, equity, earning per share, income, expenses, disbursement, debtors and creditors are elements of the financial statement. The information that makes up each of the above element is referred to as accounting information. Accounting information plays an important role in producing the annual reports. Aside from the fact that accounting information portrays the financial situation of an organization, it also enables and assists both external and internal users to make prompt decisions (Adeniji 2012, 75).

Annual report of a company is a replica of the accounting information. The accountant ensures records of the day-to-day transaction are captured, collated, analysed and published for the need of various stakeholders or shareholders. The process of gathering the data and analysing the result helps the organization in setting goals and evaluation of its financial performance compared to previous years. The amount of information needed by end users depend on the size of their decision. The larger the decision, the larger the information needed (Horngren, Harrison & Oliver 2009, 2).

2.1.2 Connection between Accounting and Auditing

Even though they differ, there is a connection that exists between accounting and auditing (Hussein 1961, 14). They both have strong links because it's quite difficult to mention auditing without referring to accounting. In the earlier centuries, auditing was all about examination of records to detect errors, frauds or irregularities. Because they couldn't satisfy themselves, the store-owners had to engage an independent person to help them check their accounting records and receipts and payment and later give the owners a feedback on their results and findings (Pickett 2010, 8).

Black (2009, 2) emphasised on definition of accounting using the American accounting association (1966) that states that accounting is the communication of information about economic wealth of an organization to end users after such information must have been identified and measured. The information communicated to the end users is regarded as vital resources which assist them in strategizing and making important decision. Accounting is therefore the system of measuring the transactions of an organization, processing data, producing and communicating result to decision makers through the annual reports.

Auditing is then referred to as an activity of checking, verification and examination of the annual report prepared by the accountant to detect mistakes, misappropriations, frauds and irregularities. Auditing is also about ascertaining and giving opinion on the true and fair view of the financial statement.

According to Elder, Beasley and Arens (2010, 4) auditing can be defined as the accumulation and evaluation of evidence about information to determine and report on the degree of correspondence between the information and the established criteria.

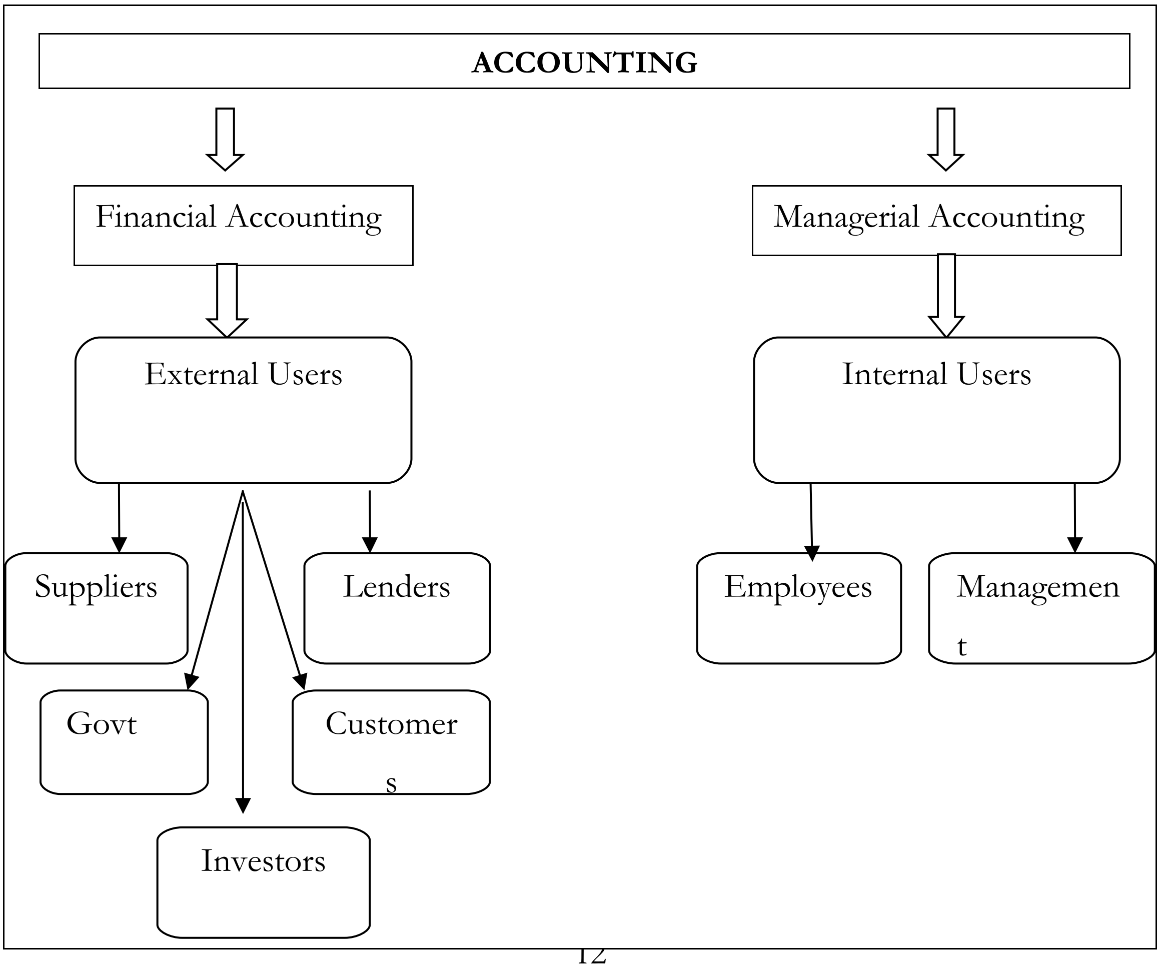
As earlier said, accounting is the language that business understands. It is necessary for all organizations to be able to account for its day-to-day transactions and operations. As required by the Nigeria stock exchange, all listed companies must prepare and publish its annual report after every accounting year end. The purpose of this is to ensure stakeholders are aware of what is transpiring within the organization and to be able to assess the organization's performance based on its financial position. While auditing may not be deemed necessary by small and medium size organization because of their belief that it's a waste of resources, it is compulsory and mandated by the Company and allied matters act (CAMA 2004) for all listed companies to have their financial statement audited. Auditing is a matter of choice for SMEs but it's a compliance act for all large organizations.

Depending on the size of an organization, some organizations have two or more accountants. Accountant roles vary due to their position in several organizations. Their services span across petty disbursement, book keeping, transaction officers, stock management, import and export duties, treasury management and posting of transactions.

After gathering and compiling information from several quarters, the senior accountant prepares the financial statement. An auditor on the other hand then scrutinizes and examines the financial statement thoroughly before stating maybe it gives a true and fair view or not. This is usually done when the accountant must have accomplished his or her task of preparing the financial statement. Usually, auditing duties encompasses assurance services, consulting services, examination of records, verification exercise, investigations, spot check, special assignment, risk control, expression of opinion and attestation to the reliability and credibility of financial statement.

2.1.3 End users of Accounting Information

The basic idea of accounting is to assist people or organization (users) in making decisions. Accounting is a major source of information for end users (Weetman 2011, 17). According to the framework adopted by The International Accounting Standard Board (IASB) 2001, there are seven groups of financial information users. The users are categorised below based on their use and accounting types. See figure 1.



Source: (Simple studies 2014: www.simplestudies.com).
Figure 1: Accounting information users and their classification.

According to the diagram above, the external users are the stakeholders outside the organization who rely on the accounting information in planning and making decisions. They comprises of trade creditors and suppliers, investors, lenders, government and its agencies, tax authorities and customers. The second category is the group within the organization called internal users. They consist of management and employees. This group needs the information in planning their day to day operations, setting goals and evaluating their performance.

2.2 Auditing

As mentioned earlier, several developments have occurred to auditing since its inception in the olden days. Some of these developments are what prompted some researchers and authors to review and update what have been written about auditing.
Auditing is the verification of the financial statement and transactions of an organization by an independent person called the auditor in accordance with the auditing standards (Horngren, Sundem & Elliot 2002, 24). It involves checking and examination of records and accounts to detect irregularities and errors.

Auditing is also an activity that allows the independent person called the auditor to express his opinion on the reliability and credibility of the financial statement of an organization to determine if it shows a true and fair view. According to Adeniji (2012, 1), auditing is the examination and expression of opinion on the financial statement by an independent person in accordance with auditing guidelines. Auditing is usually conducted by an independent person known as an "auditor". An auditor is any human being who has been trained to review and carry out independent verification and objectivity that accurately link the activities of a company to the accounting data provided by the same audited company (e-conomic 2013).

The auditor must be someone who has both accounting and auditing knowledge. In large organization, some auditors usually embark on system study before commencement of an audit assignment. The idea behind system study is to gain knowledge and understanding about the operations of a department or division about to be audited. Auditing can be classified into two categories. Classification based on the **nature of the assignment** and classification based on **system of approach** (Adeniji 2012, 13).

2.2.1 Audit Classification based on nature of assignment

Classification based on the nature of assignment can be further sub-divided into four (4) categories. They are statutory audits, non-statutory audit audits, external audit and internal audit. Each of the above categories is explained in details below.

- **Statutory audits**: statutory audit are audit conducted within organizations because they are required in accordance to legislation. This kind of audit are said to be important and compulsorily required by laws and regulations. Statutory audit is the examination of the financial transactions of organizations that is statutory required by law and which the result must be made public (Investopedia 2011). According to Companies and allied matters act, 2004 management of organizations cannot limit the scope of assignment of a statutory audit. The act also made provisions for auditor's rights and duties. Examples of this type of audit under the Nigerian law are auditing of banks and financial institution as stipulated by the Banks and other Financial Institution Acts (BOFIA) 1991, auditing of companies, enterprises or organizations required by the Company and Allied Matters Act (CAMA) 2004 and Insurance Act of 2003 guiding audit of all Insurance companies (Adeniji 2012, 13).
- **Non-statutory audits**: Private audit is another name for non-statutory audit. Non-statutory audits are audit conducted by independent auditors but are not statutorily required i.e. they are not required by law. The purpose of such kind of audit is not because the law requires them but because the owners, partners or professional bodies want it conducted. When conducting private audit, it's always necessary for the auditor to reach terms and agreement in order to avert

disagreement or confusion. Apart from the advantages attribute to general audit, this type of audit is able to provide loan or overdraft to the business. When partners want to dissolve their business, non-statutory audit is seen as a means of settling their shares. Non-statutory audit is useful to a sleeping partner because it allows such partner to examine and verify the accounting records as well as his or her share of profit. Examples of business that can conduct non-statutory audit include partnerships, sole trader, clubs and charity organizations (Adeniji 2012, 13).

- **External audit**: Pickett (2011, 33) defines external audit as the examination of financial records of an organization by an independent person to ascertain if it shows a true and fair view. The independent person must not be a staff or an employee of the organization. The auditor is usually an external person who works for a body or firm that has been contracted to audit the financial statement. According to Institute of Chartered Accountant of Nigeria (ICAN), only individuals or firm that have been granted the practicing licence are allowed to function or exist as an external auditor or auditing firm. External auditing is all about examining the financial statement and expression of opinion whether it shows a true and fair view. Thus, external audit can either be statutory or non-statutory. However, there are a number of steps or process in planning an external audit and they include planning, interim and final audit and lastly reporting. The planning stage is about determining the number of manpower needed, time allocated for different aspect and the procedures to be adopted. The interim and final audit stage is based on assessing the internal control system and risk, verification of accounting records and evaluation of the financial statement while the last stage called the reporting stage focuses on the opinion of an auditor which states whether the financial statement shows a true and fair view or not (Adeniji 2012, 13).
- **Internal audit**: This kind of audit refers to assessment exercise and compliance monitoring put in place by organization purposefully for evaluation of internal control system (Pickett 2011, 132). This type of audit is usually conducted by staffs or employees within the organization who has understanding, knowledge

and experience about accounting and auditing. The main aim of internal audit is to detect fraud, errors and irregularities, ensure compliance to management policies and adopted standards. It ensures organization performance, effective use of management resources, evaluation of management and internal control procedures as well as making recommendations to management. It embraces continuous audit approach in which it's not limited to a specified or certain date. The independence of internal audit department refers to his mandatory policy to report to the managing director or the highest authority in an organization. Some of its advantages includes it's purpose of serving as check and balances, it ensure compliance of both company and government policies and it is regarded as vital means of information to the management (Adeniji 2012, 13).

2.2.2 Audit Classification based on system of approach

This classification type is based on the method or system of approach adopted in the conduct of an audit. Adeniji (2012, 16) said it can be further sub divided into (9) categories. They include management audit, system audit, transaction audit, balance sheet audit, interim audit, year-end audit, final audit, continuous audit and joint audit.

- **Management audit:** it is defined as the examination or verification of processes and procedures within an organization to ensure or ascertain strict compliance with management policies. It is often adopted by external auditor though they must be tactful when using this approach. Its objectives are to assess organizations efficiency and make recommendations (Adeniji 2012, 16).
- **System audit:** This type of audit approach involves the process of which the system of internal control adopted by an organization is examined and assessed. Its main aim is to ascertain the reliability of the accounting information generated and to determine how operational and effective the internal control system is. After conducting this type of audit, a letter is always issued by management stating the findings and recommendation on how to make improvement (Adeniji 2012, 16).

- **Transaction audit:** Vouching is another name for transaction audit. It is an approach that involves the examination and verification of source documents, journals and accounting records. Such documents includes invoice, receipts, withdrawal slips, goods received notes, etc. The objectives of this kind of audit are to verify necessary authority and approval limits to ensure such are not exceeded irrespective of the transaction (Adeniji 2012, 17).
- **Balance sheet audit:** As the name implies, it is a verification exercise carried out on several components of the balance sheet of an organization to determine value, attributed cost and present value of items. The purpose of balance sheet audit is to ensure compliance with relevant standards, to verify beginning and ending balances, to verify if truly the assets and liabilities exist and their present value, to verify debtors existence and how much is been owed, to ensure all assets of the organization are captured and reported in the balance sheet and also to ascertain assets and liabilities are not under or over stated (Adeniji 2012, 17).
- **Interim audit:** According to the name 'interim audit', it is an audit approach conducted to reduce the workload, stress and time that might be experienced at the year-end audit. It is conducted before the accounting period comes to an end. Interim audit helps to avert further damage by detecting errors, irregularities and fraud early enough. It assist auditor in expressing their opinion after assessing and examining the records of account and also ensures prompt accomplishment during year end audit (Adeniji 2012, 17).
- **Year-end audit:** Year-end audit approach is an audit usually carried out at the end of accounting period of an organization. Such type of audit allows management of an organization to ascertain its stock level and as well ensure all financial transactions are captured and adopted in the financial statement preparation (Adeniji 2012, 18).
- **Final audit:** Final audit is also referred to as complete audit. It is an approach that is usually adopted by external auditor to examine and evaluate the financial accounting records and balances of an organization at the year-end of accounting period. It is aimed at ascertaining the assets and liabilities of an organization and evaluation of the final account to determine its credibility and reliability.

Advantages of final audit include limited errors, source of reliable information to end users, less time consuming and it represent the financial state and performance evaluation of an organization (Adeniji 2012, 18).

- **Continuous audit:** This audit approach can be adopted by either the external or internal auditor. It is the process of determining the validity, reliability, exactness and credibility of the daily transaction of an organization by examination and verification of the accounting records. It is a continuous process; therefore it is conducted year round or periodically by the auditors. One advantage of this audit is that irregularities, frauds and errors are detected on time (Adeniji 2012, 18).
- **Joint audit:** Joint audit is an audit approach which involves two or more audit firms. It is the process of conducting independent examination on the accounting records of an organization to ascertain if it portrays what is in it i.e. if it shows a true and fair view by two or more external auditor. This type of audit is usually adopted by banks, insurance companies or large organization that has several branches scattered across so many states of a federation. Joint audit is also adopted when organizations has voluminous operations and deem it necessary to engage more than one auditor. It is also sometimes carried out when stakeholders and management of an organization feel they require reassurance on the audited financial statement. In joint audit, the audit firms engaged in the audit activity are liable (Adeniji 2012, 19).

2.3 Internal auditing

According to the institute of internal auditors (2014) internal auditing is the independent monitoring and examining of the activities of an organization in order to add value to its operations. The independent person conducting the internal audit is called internal auditor. In the early years, internal auditors are employee or staff of an organization they are auditing. However, not so long ago, many auditing firms have also included internal audit service as part of their function i.e. they conduct internal auditing services to companies, business and organizations. Nowadays, internal auditors are either employed by the organization or by an independent audit firm (Adeniji 2012, 229).

Internal auditing covers both financial and non-financial areas. The process of examining and ascertaining the accounting records and journals, verification of assets, effective utilization of resources and risk management for the purpose of efficient performance of an organization is regarded as internal auditing. Adeniji (2012, 229) defines internal auditing as periodic examination of financial records to ascertain compliance with guidelines, standards, policies, procedures, laws and regulations and to ensure that the financial status of an organization gives a true and fair view.
The scope and objective of internal audit has broadened and gotten wide recognition around the world. Internal audit now play a vital role in improving the operation of an organization. Risk management, internal control and corporate governance are now part of internal auditing. Companies now identify the need for the vigorous system. In the long run, companies yet to set up such vigorous system might fail (Pickett 2010, 315).

2.3.1 Roles and responsibilities of internal auditor

Internal auditors are saddled with several roles and responsibilities. Internal auditor's roles and responsibility might differ, depending on the type of an organization and its need by the management. However, for the purpose of this research, vital roles and responsibilities of internal auditors will be examined. According to Pickett (2011, 134) roles and responsibilities of internal auditor include:

- Internal auditors are saddled with the responsibility of reviewing the reliability of accounting transactions and records used in generating the financial statement (Pickett 2011, 134).
- Internal auditors are responsible for reviewing the operations or activities of an organization to ensure they are in conformity with set goals and objectives (Picket 2011, 134). In other word, internal auditors evaluate and appraise the effectiveness and efficiency of an organization's operation.
- Internal auditors also ensure compliance of guidelines, standards, policies, laws and regulations through reviewing of systems (Picket 2011, 134).

- Internal auditors are meant to assess and manage risk as well as evaluating the functionality of the internal control system (Adeniji 2012, 4).
- They are meant to develop and review means of verifying and protecting assets of an organization ((Picket 2011, 134).
- Internal auditors are responsible for conducting audit, highlight their finding, highlight each implication and give necessary recommendation to management.
- Internal auditor should provide a detailed report on each audit assignment and also ensure communication with the management and board of directors.

2.3.2 Internal auditor's code of ethics

Internal auditors are guided by some code of ethics which are binding on them. These codes of ethics are necessary and vital in the auditing profession. Each profession has one or two professional bodies that regulate its activities. e.g. IFAC, ICAN, etc.
As stipulated by the Institute of internal auditors (2014), code of ethics refers to the necessary guideline and norms that are important to the auditing profession and also depicts the behaviour of internal auditors. Internal auditors are expected to abide by these principles which assist them in discharging their duties with moral standards of highest quality. The four main codes of ethics are integrity, objectivity, confidentiality and competency. Each of these ethics is explained further below:

- **Integrity**: The reliance on the auditor's opinion or statement is based on their integrity. In the discharge of his or her duties, an internal auditor must be honest, diligence and responsible to the management of an organization. The internal auditor must be law abiding, and also abide by the law stipulated by the profession. On no account shall an internal auditor be involved in any illegal or shady acts that bring disrepute to the profession (Institute of internal auditors, 2014).
- **Objectivity**: An internal auditor must be independent and objective during the process of information gathering, analysis and communication in an audit assignment. The auditor must not be involved in any financial dealing with the organization. The internal auditor shall be able to plan, implement, conduct and report findings and recommendations to the management of an organization

without any form of interference or been biased. The internal auditors must disclose all necessary information known to them and must not be biased. The internal auditors shall not take, receive or accept any form of gift or anything that may influence his decision or opinion (Institute of internal auditors, 2014).

- **Confidentiality**: This ethic states that internal auditor should know how vital and important the information they have received and therefore should not disclose such information except with appropriate approval. Internal auditor must be cautious in putting to use the information he or she has gathered and shall not use such information to the detriment of the organization's aims or for personal gain (Institute of internal auditors, 2014).
- **Competency**: This is the last code of ethics and it stipulates that internal auditors should be competent in discharging their duties. Internal auditors should employ necessary skills and experience needed in the conduct of an audit assignment. On no account should an internal auditor engage in an assignment or services which he or she lacks the necessary knowledge, experience and skills needed in conducting such assignment. All internal audit assignment or work shall be conducted in compliance with the international standard and such services shall be of good quality (Institute of internal auditors, 2014).

2.3.3 Internal auditors importance

While many business owners acknowledge the impact of the internal audit department in their respective companies, others regard them as non-vital, irrelevant or waste of resources. Internal audit department is sometimes regarded as the police department that are in charge of investigation, breach of controls, irregularities and risk management.

According to Adeniji (2012, 4), the internal audit department is the backbone of an organization's operation. Internal audit department help organization in achieving set objectives by effective and efficient utilization of resources, risk management, corporate governance and improving organizations performance. The internal audit department is regarded as vital because they help to detect and prevent fraud, errors and irregularities and they serve as deterrent to employees who might want to indulge in fraudulent act. The internal auditors assist in assessing risk, managing risk, evaluating and ensuring the internal control system is functioning effectively. Internal audit department is meant to examine and review the financial transaction of an organization, inform stakeholders about the operation's effectiveness and efficiency and as well ensure compliance with relevant standards (Ojha 2012, 2).

Internal auditors must review compliance with necessary policies, procedures, standards, laws and regulations. Internal auditors assist organization in non-financial areas such as periodic stock-take exercise, assets verification exercise, debtor's verification exercise and review of due process. In order to improve performance, it is necessary for an organization to appraise the work of its employees. Internal audit ensure work carried out by other employees are appraised which provide invaluable information to management regarding the strength and weakness throughout the organization (Sey 2013, 29).

2.3.4 Internal auditor's liability

In the conduct or discharge of their duties, internal auditors must ensure they demonstrate acts of professionalism. Internal auditors must exercise due care and diligence when carrying out auditing services. An internal auditor must discharge his or her duties according to auditing standards (Sazena, Srinivas & Rai 2010). Internal auditor should possess relevant required skills, knowledge and experience in conducting professional audit services. Apart from complying with the conduct of the institute of internal auditors, internal auditors are also meant to conform to other professional body's certificates that they possess (Pickett 2011, 184).

Though it might be difficult to ascertain if an auditor has failed to show professional care in the process of discharging his or her duties, however, an internal auditor will be liable for any form of negligence that resulted to organizational loss (Adeniji 2012, 533). If this occurs, an internal auditor who is an employee of the organization might be fired while a hired internal auditor will be sued.

- **Professional negligence**: According to Adeniji (2012, 533) negligence is an act or oversight that occurs when a professional person fails to exercise some professional care that is expected of a professional in discharging his or her duties. Claims for negligence arise when an organization has suffered financial loss as a result of the auditor's negligence. An injured party taking actions for negligence must be able to prove that duty of care existed, duty of care was breached and as a result of the breach, the injured party suffered a loss (Adeniji 2012, 533).
- **Criminal liability**: Company and Allied Matters Act (CAMA), 2004 states that an internal auditor who circulates or publishes any fraudulent written statement for the purpose of defrauding or inducing people to invest in an organization or mislead the management of an organization is liable.

2.3.5 Internal audit report

After an audit assignment, internal auditors are responsible for communicating their findings through the audit report. Internal audit reports are avenue to get management's attention (Pickett 2011, 297). An internal audit report reveals issues, findings, effects, management response and recommendations. Usually, a draft report is always produced before the final audit report is ready. An internal audit report is structured in such a way that it includes the cover page, executive summary, body and appendices. The cover page must contain title of the audit assignment, the scope, internal auditor's name and designation, auditee's name and designation, date and report distribution. The body of the internal audit report consist of details of issues and findings, implications, responses from management and recommendations. The internal audit report help management in taking necessary actions and decisions towards compliance, risk management, internal control system as well as effective and efficient utilization of resources to add value to the operations and performance of the organization. It also helps recipient of the report who are not part of the audit team to have a detailed understanding of the audit assignment (Hubbard 2000).

2.3.6 Internal audit limitation

So many factors limit internal auditing in several organizations. The cost of establishing and running an internal audit department lies on how many staff will be required in the department. The cost might jerk up due to the demand of the management in employing staffs to manage the activities of the organization. These are one of such reasons why internal audit often exist in large organizations compared to small or medium size companies. Large organizations have the financial capability to afford the necessary cost incurred in establishing such department (Business writing services 2014).
Some organizations believe that as the department is a non-profit department, resources and time used in attending to internal auditors might be put to use on productive issues therefore neglecting the benefits of the internal audit department (Adeniji 2012, 5). The reporting system is another factor that limits internal auditing in an organization. The effectiveness of the audit report is limited in an organization where the internal auditor report to the finance director. In order to ensure independence as stipulated by the auditing standards, internal auditor should report to the Managing director, board of directors or audit committee (Kaplan financial knowledge bank 2012).

When internal auditors give recommendation on their audit report and such are ignored, it usually frustrate the efforts of the internal audit department and thus might lead to leaving errors, irregularities and frauds undetected. In an organization, there should be segregation of duties and internal auditors should not be made to perform accounting duties if the organization still wants the department to be independent (Business writing services 2014).
In some organization, the scope of audit assignment is decided by higher authority such as executive director. In order not to limit or influence the necessary areas to be covered in the audit work, audit scope should be determined by the Head of internal audit department and sometimes with the consent of the audit committee (Kaplan financial knowledge bank 2012).

2.4 Internal audit risk and failure

There are always internal audit risks associated with the audit assignment. Therefore it is important to define the risk, as well as its components and highlight possible ways of minimizing the risks. Internal auditors are humans and it's possible that they draw invalid conclusion based on internal audit assignments. Adeniji (2012, 174) define internal audit risk as the risk that occur when internal auditors express unqualified or invalid opinion on the financial statement and audit assignment in an organization. These are risks that surface when internal auditors draw conclusion on internal audit assignment based on some certain reasons that cannot be justified.

2.4.1 External and Internal risk

According to Adeniji (2012, 174) risk can take two forms and they are external and internal risk.

External risk: These are risk that occur outside the organization but which might affect the activities of the internal audit department. They include:

- Natural hazard.
- Environmental matters.
- Technologies and idea.
- Changing exchange rate.
- Changing interest rates.

Internal risk: These are regarded as risks that occur within an organization. They comprises of;

- Lack of research and development.
- Fraud
- Computer system malfunctioning.
- Inappropriate acquisitions.
- Failure to modernize products, promotion strategy, processes, etc.
- Ignoring due process.
- Internal control

- Cash flow issues
- Ignoring compliance with policies and procedures.

2.4.2 Elements of internal audit risk

Internal audit risk comprises of three (3) components and they include inherent risk, control risk and detection risk (Adeniji 2012, 176).

- **Inherent risk**: is the misstatement of account balances as a result of failed internal control system and which might lead to a loss for the organization (Caplan & Kirschenheiter 2000).
- **Control risk**: is defined as the risk that occur when internal control system could not prevent, detect or correct misstatements that might appear in account balances (Adeniji 2012, 177).
- **Detection risk**: is defined as the inability of the internal auditor conducting an audit assignment to detect a control weakness or misstatement in the account balances (Caplan & Kirschenheiter 2000).

2.4.3 Internal audit risk assessment and benefits

Internal audit risk assessment is an overview of how internal audit risk can be assessed and managed. There are four major steps involved in a risk assessment process and they include identify risk, measure risk, prioritise risk and develop the audit (Miles & Jazaie 2011).

The first step is to identify and list the possible risk then ensures each of these risk are measure and determine by some factors. Later on, we need to prioritise the risk and develop the audit.

Benefits of internal audit risk assessment: It is necessary to mention some of the advantages of the internal audit risk assessment. According to Adeniji (2012, 178) these benefits include:

- Helps in conducting audit assignment effectively and efficiently.
- It saves audit cost.

- It helps in ensuring the use of sampling.
- It helps to ensure the internal auditor's attention is placed on items that might lead to misstatement.
- It helps to eliminate pitfalls during audit procedures.

2.4.4 Internal audit failure

Internal audit failure are said to occur in internal audit assignments or work within an organization. The term internal audit failure refers to frauds, errors, irregularities and misstatement that occur unnoticed during scope of an audit assignment in an organization. When such issue are detected, the first step is to determine if the period of such occurrence fall under the scope of a past internal audit work. If it does, then we can say that the internal auditor fails to detect such issue and therefore internal audit failure has occurred (Adeniji 2012, 366).

Failure of an internal auditor to conduct a detailed work in determining if the financial statement of an organization is misstated is called internal audit failure (Tysiac 2014). It is wrong to say that audit failure has occurred in financial statement that are misstated due to inability of the internal auditor to obtain sufficient evidence in backing his or her opinion. However, internal audit failure is the failure of an internal auditor to do a thorough examination to detect if a financial statement is misstated ((Tysiac 2014).

3 Research methodology

Research methods are quite essential and form the basis for the research process, design, methods and data. According to Ghauri and Gronhaug (2010, 37), research methods are guidelines, procedures and processes adopted in solving problems. In this chapter, the writer will focus on the research design, research method, data collection and the sample size. The latter part of this chapter will explain the reliability and validity of the research.

3.1 Research design

The research design has been made in such a way that it has introductory part which unveils the background to the research topic after careful study of important models and theories. After discussing and analysing the theoretical frame, there are some unanswered questions which prompted the drafting of the interview framework questions and which will help to give more detailed explanation about the research questions. The respondents' size is chosen based on their knowledge and experience on the research area. After scheduling interview dates with respective interviewee, the next task was to conduct the interview, record the data in a visualise manner in order to capture interviewee's body language and then analyse the data. Conclusions will then be drawn from the analysed data and necessary recommendations will be made.

3.2 Research method and Sample size

When we talk of research methodology, it is quite essential to mention the type of research method used in any research. Major determinants of the research method are the objective of the research as well as the researcher's experience (Ghauri & Gronhaug 2010, 105). For the purpose of this research, a qualitative research method has been adopted. A qualitative research method is a method that allows a researcher to have an in-depth knowledge of a certain event or organization (csulb.edu 2014).
As stated above, the choice of this method is based on the research objective, the writer's experience and also the advantages of the selected method.

Apart from the fact that qualitative method helps to gain more understanding of a phenomenon, it is also quite flexible and allows issues to be studied and investigated (Ghauri & Gronhaug 2010, 196).

The sample size consists of the respondents that will be interviewed and they are quite few in number. The respondents have been drawn from within the company and they comprises of accountant, manager, branch manager, internal auditor and top management official. The respondents are drawn based on their vast experience and knowledge about the research topic.

3.3 Data collection

There are several types of data collection. The basis for the type of data collection to be adopted in a research lie on the type of data that is been requested by the research problem (Ghauri & Gronhaug 2010, 103). However, for the purpose of this research, two types of data collection are used and they are primary data collection and secondary data collection. Interview has been used for collecting primary data while books, articles, journals and reliable internet sources are the secondary data sources.
Each of this data collection types are further explained below.

3.3.1 Interviews

The primary data collection tool adopted is interview. The writer deemed it appropriate to use semi-structured interviews to collect the data. According to Ghauri and Gronhaug (2010, 126), semi-structured interviews are interview structured in a way that topic, questions, sample selection and respondents to be interviewed have been selected and determined before conducting the interview. This method tends to asks more specific questions and ensure the interviewee does not divert from the question area.
The interview framework was structured according to the investigative questions. Each investigative question has two or more sub-questions (attachment 2).

The initial plan was to interview between five to ten people. However, due to the availability and work schedule of the respondents, only six respondents were interviewed.

Each of the respondents was interviewed separately on an agreed time and date. The respondents are employees of the company and they possess vast experience and knowledge about the research area. The respondent's designation, years of work experience and interview date are included in the report (attachment 3). At first, the writer has planned a phone interview because of the distance between the writer and the location of the company, however there was a change of plan and an online skype interview was adopted due to the fact that the writer deemed it necessary and important to capture and record the body language of the interviewees. Each interview lasted between 40 – 50 minutes. However, due to the busy schedule of the managing director, his interview was done via email. Also each interviewee opted not to reveal their identity and henceforth will be referred to as Interviewee 1, interviewee 2, interviewee 3, interviewee 4, interviewee 5 and interviewee 6.

3.3.2 Secondary data sources

Ghauri and Gronhaug (2010, 90) states that secondary data source offers information that might have been gathered for another aim. Several secondary data sources have been used in this research and they include books, articles, journals, internet materials, etc. Most of these sources were collected from university libraries, websites and annual report of the company, website of institute of internal auditing and many more. The information derived from the secondary sources has been useful, vital and of immeasurable contribution towards the aim of this research. Secondary data helps us to gain in-depth knowledge and understanding about the research question and as well assist us in discovering necessary information required to explain the research problem (Ghauri & Gronhaug 2010, 90).

3.4 Validity and reliability

Validity refers to extent to which measure captures what they are intended to capture (Ghauri & Gronhaug 2010, 78). At times, there are mistakes in measurements and it's possible that the outcome of a measurement might contain some errors. In other word, we can say that mistakes sometimes occur in research work.

Ghauri and Gronhaug (2010, 79) also states that reliability refers to consistency of the measure. They further emphasised that a valid measure is consistent, but a consistent measure is not necessary to be valid.

The writer therefore predicts the result of this research to be valid and reliable. The validity and reliability of the research can be assessed based on the composition of the interviewees and their responses. The respondents who had been interviewed had vast knowledge and experience about the subject area therefore the reliability and credibility of the result is justified. Six respondents who are employees of John Holt Nigeria Plc have been interviewed and analysis of the findings and results will be discussed in the next chapter. We can say that if the above subject topic is studied by another researcher, and the same process and method is been adopted, there is a high degree of assurance that the result will be similar if not the same.

4 Data result and Analysis

Under this chapter, the writer will reveal the detailed results of the interview framework conducted and also analyse it accordingly. The result will be analysed based on each interviewed questions and the interviewees' responses will be discussed under each question. In the later part of this chapter, an overview of the interview with the managing director will be analysed. Few of the respondents have cited some examples using some of the company's competitors and the writer has deemed it fit to mention such competitors in this research. Jubaili bros engineering and Mikano international Company are two giant competitors competing with John Holt Nigeria Plc in the engineering sector.

Sections where respondents have expressed their views on certain interview questions citing the above competitors are revealed later in this chapter.

4.1 Interview result and analysis

The writer's findings are analysed below. Responses to interview question 1 and 2 have been omitted and can be found in attachment 3.

Q3. **In every organization, internal auditor's roles are different and at times depend on the operating activity of the company. In your opinion, what are the main roles of internal auditors in the organization?**

In response to the above question, interviewee 1, interviewee 3 and interviewee 5 all gave similar responses. They explained that internal auditors in John Holt Nigeria Plc are saddled with the responsibility of conducting audit on the financial statement of divisions within the company to ascertain if it shows a true and fair view. They further explained that internal auditors of the company also ensure that employees of the organization complies with the policies and procedures stipulated by the company as well as statutory requirements, laws and regulations. Interviewee 1 further emphasised that internal auditor help to review the reliability of accounting transactions and records.

As explained by interviewee 4, internal auditors are meant to assess and manage risk and also give assurance services to the management. The 4th interviewee further describe the roles of internal auditors to include ensuring effective and efficient use of the organization's resources as well as verifying and protecting all assets of the organization. Interviewee 2 said internal auditors duties include assessing and evaluating internal control system adopted by the company to ascertain if they are functioning as intended. Interviewee 2 also said internal auditors of John Holt Plc assist in drafting the cash policy, approval and authority limits policy as well as other policies on stocks and assets adopted by the organization.

Q4. What other functions do they perform in the organization?

All the interviewees further clarified additional duties performed by the internal auditors of John Holt Nigeria Plc. Interviewee 2 and 5 said internal auditors also conduct spot check; quarterly stock take and annual stock take exercise. During the interview session with interviewee 1, he narrated that internal auditors likewise help the accounting department as well as other divisions during reconciliation assignment.

Interviewee 4 stressed that internal auditor of the organization also perform other functions as directed by the managing director or the general manager of a division. She said such functions include special investigation, verification of incentive claims, computer audit, treasury audit, fraud investigation, etc.

Q5. What do you classify as the internal auditor's professional code of ethics?

The interviewees responded that internal auditor are professional and must exhibit professional care in the process of discharging their duties. They explained that internal auditors must be honest, sincere, and responsible and abide by the laws guiding their profession likewise the organization's code of ethics. As explained by interviewee 1 and 3, internal auditors must be independent and objective during audit assignments. They must not be biased, partial or allow any undue influence from any quarters. As referred by interviewee 1, internal auditors must be able to plan, implement, conduct and report their finding without any form of interference from any employee. He explained further that internal auditors should not accept any form of inducement to compromise their opinion on professional judgements.

Interviewee 4 discussed that internal auditors have access to vital and important information of the organization and they should never disclose such information to third parties either within the organization or outside the organization. He explained more that if such information must be disclosed, it must be approved by relevant authority. Apart from that, internal auditors must not use confidential information acquired during the discharge of their duties for personal gain or use.

Both interviewee 2 and 5 stressed that internal auditor are professional therefore should use such professional knowledge and skills in order to provide professional service to the organization. However, internal auditors must be diligent and ensure compliance with professional standards stipulated by professional bodies such as institute of internal auditors (IIA) and institute of chartered accountant of Nigeria (ICAN). Furthermore, all the respondents referred that internal auditors must avoid actions or behaviours that brings disrepute to the profession likewise they must act in accordance with the ethics, guidelines and procedures of John Holt plc.

Q6. In your opinion, when can internal auditors be held liable in the conduct of discharging their duties?

As explained by interviewee 4 and 5, internal auditors can be held liable when performing their responsibilities. They discussed that internal auditors are liable when they fail to demonstrate professional care in discharging their duties and as a result of such negligible act; the company has suffered financial loss. Interviewee 4 refers that internal auditors of John Holt Plc often undergo trainings to enhance their skills and ensure they deliver professional service.

They further stated that several action can be taken against internal auditor if found culpable. Depending on the level of loss the organization might have suffered, an internal auditor can be queried, sack or reported to the professional body which he or she belong and in such instance, the auditor's might be sanctioned.

The rest of the interviewee emphasised that internal auditors are responsible and liable if they have connived with some employees to compromise their decision or they have intentionally circulate fraudulent written statement to defraud investors or mislead the management of John Holt Plc. They explained that such act is a criminal act and any internal auditor found in such act might be sued in the court of law. Interviewee 4 sighted an example using Jubaili bros engineering limited. He stated the instance when an internal auditor of the above stated company was caught with some employees after they have connived and defrauded the company of stocks worth over 50,000 euros. They were eventually caught after some years, and were mandated to refund the money, sacked, sued in the court of law and sentenced to jail term.
They also explained that in such circumstances, internal auditors can be reported to the disciplinary committee of the professional body which they belong and as well their certificate might be revoked.

Q7. Does the organization derive some benefits from keeping the internal audit department?
As explained by interviewee 1, 3 and 5, John Holt Nigeria Plc derives some benefits from the use of the internal audit department. They argued that based on the voluminous operations and activities of the organization, it is not possible for the top managements to physically oversee activities at every location at the same time. Hence, the internal auditor oversees the activities in every division and report to the management. They give recommendation and advice to the management which aid the management in taking strategic decisions. Interviewee 1 stated that the most crucial benefits is that they help the organization in ensuring its operations and activities are functioning effectively, they ensure employees, staffs and business partners comply with the policies and procedure made by the organization as well as compliance with relevant laws, regulation, requirements and standards stipulated by bodies such as IASB, IFRS, IAS, SAS, CAMA, etc.

Interviewee 5 states that John Holt Plc benefits from the internal audit department not by having accounting and control system in place but by having employees whose duty is to evaluate, review and ensure the internal control systems are functioning properly. He further explained that internal auditors help the organization in reviewing accounting transactions generated from each branch likewise the necessary source documents raised during those transactions to ensure right accounting entries and posting have been done.

Both interviewee 2 and 4 explained that not only the organization benefit from the internal audit department, staffs and employees as well does. They narrated that the internal audit department is the teacher or lecturer of the organization. They said internal auditors engage in teaching staffs and employees on the usage, process, procedures and recipient of necessary sources documents as well as the accounting entries to avert wrong posting.
They refer that internal audit serves as check and balances, they help in reducing external audit fees through interim or preliminary audit, they help the organization by assessing and managing its risk as well as giving assurance services to the management. Interviewee 4 stressed that internal auditors examine the reliability and credibility of financial statement to determine if it shows a true and fair view. Internal auditors help to reduce frauds and errors as well as protect the organization's assets to avoid diverting such for personal use. Interviewee 1 who was a former employee of Mikano international limited described how an internal auditor was able to detect that the finance director was involved in some fraudulent act and embezzlement of project funds.

Interviewee 2 further clarified some achievements made by the internal audit department. He explained how several audit assignments were able to detect frauds and irregularities perpetrated by some branch managers. He said such managers were indicted in the audit report and were eventually sacked. He also stressed that the internal audit department has saved the company of losing some customers and sales through detection of service jobs diversion. He narrated the example of a sales manager who indulges in the act of overstating quotation for services in order to scare the customer away. The sales manager will then meets the customer secretly, persuade the customer to patronize his own private company for a lesser quotation and divert the service contract to his own personal company. Internal audit was able to curb such practices through its recommendations to the management.

He also explained that audit department has been able to curb stock theft within the company. He cited an example of diversion of stocks and theft case perpetrated by some stock keepers. Whenever internal auditor discover discrepancies between physical stocks quantity and system stock quantity, the stock keepers always attribute such discrepancies to malfunctioning of the sun-system software used in the company not knowing they have been stealing and diverting such stock for personal use. An upgrade to the sun-system software enables the internal audit department to discover such activity and necessary recommendations were made to curb such issue while indicted employees were laid off.

According to interviewee 2, the audit department has helped the management to curb some acts as well as saving unreal cost such as granting of fake discount to customers, raising of unreal expense claim journals on outstation allowance by employees whereas they did not embark on any journey as well as diversion of company assets such as vehicles for personal use during weekends. He emphasised that several recommendations on cash policies and control systems made by the internal audit department has also aided the effective functioning of the company.

Q8. What are the disadvantages of having the internal audit department?

The respondents discussed that everything that has advantages must surely have disadvantages. Based on their experiences, they explained that internal auditor's opinion or conclusion might be biased. In other word, they may not give a valid conclusion. Interviewee 4 further explained that internal auditors can be induced to compromise their opinion on findings. He stated that when internal auditors embark on audit assignments, they can be bribed or offered monetary gifts by employees, staffs or branch managers in order to ensure internal auditors don't report serious issues noticed during the audit assignment to the management.

Interviewee 2 explained that due to the fear and anxiousness act displayed by some employees or staffs whenever they hear of the arrival of an auditor, internal auditor make use of such opportunity by intimidating their auditee especially ladies. He said internal auditors can use their position to intimidate junior staffs (ladies) to respond to their sexual advances. Also, as referred by interviewee 1, internal audit department audit every department within the organization but then who is to conduct the audit of the internal audit department to determine if budget has been judiciously expended, to ascertain or determine the authenticity of the report been submitted to management in order to ensure audit findings and conclusion has not be biased or compromised.

Interviewee 4 explained that based on her experience with internal auditors, some auditors use confidential information of the organization for personal gain and which resulted to bad effects for the company. Interviewee 5 stressed that the only disadvantage he could highlight was that internal audit department recently recommended some policies such as strict payment to bank by all customers and hence, such policy will affect the daily turnover of branches because of the delay in confirming customer deposit.

Q9. Does the absence of internal auditors have any effects on the performance of the organization? If yes, what are these effects?

All the interviewees explained that considering the voluminous transactions and activities of the organization, the lack of internal auditors in the organization will have negative impacts on the organization. They further highlighted some of these effects to include lack of assessing and evaluating accounting transaction and statement, lack of reviewing and evaluating the control systems that are put in place by the company as well as non-safeguarding and monitoring of assets.

Interviewee 4 stated that in the case of John Holt plc, the reverse of the benefits of internal auditor will be the case because there will be no one to visit branches across the nation, no one to ensure compliance with policies and procedures and as a result will lead to higher fraud activities, embezzlement of funds, diversion of company assets and resources for personal use, large discrepancies between physical stock and sun system as well as posting of fake huge debtors balances. However, interview 4 explained that the alternatives she could suggest is either to decrease the internal audit staff strength and equip the department with auditing software or outsource the internal audit functions.

Q10. What is the usefulness of the audit report?

As described by interviewee 2 and 4, audit report is mostly useful to the management, the division likewise the branch. Interviewee 4 said it is quite useful to the management because it highlight issues, implications and recommendations. The report informs the management of the financial dealing, stocks, assets and staffs strength in every branch and it aid the management's plan in deciding on its next line of action. Interviewee 2 explained that the benefit of the audit report is to enable divisions to assess and evaluate performance of branches and areas. He further explained that audit report help both divisional and top management in taking decision whether to enlarge, decrease or close down a particular branch.

Q11. What challenges or difficulties does the internal audit department experience?

Only interviewee 2 gave a detailed response when this question was asked. Interviewee 2 explained that when audit report is sent to appropriate recipient and management, it is important for management to take necessary action on issues and finding. He stated that internal auditors feel discouraged to do a thorough audit work when they are on audit locations because they still discover that previous audit issues still exist and none of the previous recommendations has been implemented to curb such issues. He narrated that delay in implementing recommendations or ignoring recommendations totally is a thorn in the flesh.

Furthermore, he emphasised that internal auditing in John Holt Plc is so cumbersome without any audit software. Modern auditing is quite easy and fast with the use of audit software. He explained that for over 4 years, the internal audit department has requested for the purchase of audit software called audit command language ACL which will enhance the quality of their work but it is to no avail. Also he stressed that corruption is another major challenge. Whenever general staff promotions are about to be made, internal auditors must also be included. By so doing, internal auditor will resist any form of inducement in form of bribe or financial gift to compromise his or her opinion.

And lastly the interviewee 2 mentioned the issue of staff strength in the department. He explained that considering the size and varieties of activities in the organization, it is important for the department to employ more staffs to be able to cover all internal audit assignments for each year.

4.2 Overview of the interview with the Managing Director (Interviewee 6)

According to the 6th interviewee, internal auditor's roles include safeguarding of assets, review of policies, giving recommendations and advising management on compliance with statutory requirements. He however argued that such duties can as well be performed by accountants, branch managers and area managers if they are well trained. He explained that internal auditors are guided by some ethics required by their professional bodies. However, he said such ethics generally includes integrity, confidentiality and objectivity. As referred by interviewee 6, internal auditors must be honest, responsible and diligent. They must know that information within their reach is important and should ensure that such information is not disclosed to third parties except with the approval of relevant authority. Internal auditors must be unbiased, sincere and must not accept any form of undue influence to override their opinion.

Interviewee 6 stressed that John Holt Nigeria Plc can function effectively without the internal audit department. He said if accountants, branch managers and area managers within the organization are well trained, they can as well perform the duties of internal auditor and can be held accountable as well as give feedback to the management on any lapses within their area or branches. He further buttresses his point by citing example of a company he managed some years ago. He said the company had no internal audit department and was able to function effectively with the use of good information control and accounting systems. However, he said the company was not located in Nigeria. He explained that the internal audit department could be biased in their opinion and such could be detrimental to the image and the financial position of the organization.

As stated by interviewee 6, due to the present financial position of John Holt Nigeria Plc, it is sad that the company will not be able to meet its responsibilities to all employees in term of salary and as a result of that, it has to reduce its workforce. Interviewee 6 disagrees that the absence of internal auditors will have effects on the performance of the company. He said it is quite costly to maintain the internal audit department as well as pay the external audit firm. He narrated that since their function are similar, he would rather prefer external auditing because it is required by law. He however argued that the management is considering some backup alternatives to the internal audit department. He suggested that an alternative is to outsource the department as such will reduce cost of running and maintaining the internal audit department within the company. He explained that if the department is outsourced, it will reduce cost while branches in northern parts of the country will be covered. He further stated that as the management is considering closing down some non-performing business branches, the available branch and area managers can be trained and made to ensure effective and efficient operation within their region as well as give feedback to the management. If such is implemented, it will eliminate yearly budget and cost incurred by internal auditors when on audit trips.

He also explained that if the company can adopt good information control system and good accounting system coupled with the use of e-source documents (e-receipts, e-voucher), a few employees can be trained to oversee the systems and thus, the company can solely rely on external auditing. However, he stressed that the management is still deliberating on the internal audit issue and therefore decision has not yet been reached.

5 Conclusions

There are always two sides to a coin. Internal audit department have their pros and cons within every organization. It is therefore not valid that the existence of internal auditors within an organization will guarantee 100% effective performance and also prevent irregularities and fraud, rather it will ensure effective operations and as well limit occurrence of frauds and errors. This final chapter will reveal the conclusion of the research by summarising key findings, recommendations and lastly the author's learning and development during the research process.

5.1 Key findings

Internal auditing is an independent verification and examination of the financial records and operations of an organization by an independent person called the auditor. The internal auditor is a person saddled with the responsibilities of conducting internal auditing and such person must have accounting and auditing knowledge. It is imperative for organizations to know the impacts and values of the internal audit department likewise their disadvantages. However, depending on the organization and its operations, internal audit department might be more vital to some organization than others.

The research revealed that internal audit department is important for John Holt Nigeria Plc. Considering its voluminous operations and numbers of branches across the nation, it is quite essential for the organization to have internal audit department. The author found that internal auditors roles and responsibilities within the organization comprises of many functions. Internal auditors examine the financial records and transactions of all the divisions within the organization. They likewise conduct spot-check exercise, stocktake exercise, debtors verification exercise, creditors verification exercise and fixed assets verification. Internal auditors are also responsible for ensuring compliance with company policies, relevant rules, tax regulations and statutory requirements. In addition, they evaluate the internal control system and equally ensure effective use of the company's resources.

The research revealed that the internal auditors are guided by some code of ethics stipulated by the institute of internal auditors. These ethics include integrity, objectivity, competency and confidentiality. The ethics are binding on the internal auditors and it is compulsory that they comply with guidelines. The author can establish that John Holt Nigeria Plc derive some benefits from the use of the internal auditors. Some of these benefits include assurance service and advise, risk management, corporate governance, review of control systems, efficient and effective operations, minimised fraud and theft cases as well as evaluation of divisional performance.

However, irrespective of the pros, benefits and advantages derived from the use of the internal audit department, there are some demerits or disadvantages attached with the department. The author discovers through the research that internal auditors can be offered monetary gifts in order to compromise their opinion. In other word, they can be bribed or induced to be biased when reporting their findings to the management. In addition, internal auditors can use their position to intimidate junior employees.

5.2 Recommendation

The first and foremost recommendation for the management of John Holt Nigeria Plc is to consider carefully several risks that might occur if the internal audit department is eventually scrapped without any alternative in place. It is important to know that the internal audit department positively impacts and contribute to the overall effective performance of the organization. Therefore, considering the operations and activities of the organization, the management is advised to either keep the internal audit department or consider other options such as outsourcing. Also, the author recommends that the management should consider the risks of using trained branch and area managers as internal auditors because such people are not professionals and according to interviewee 2, quite many branch and area managers have been indicted and laid off due to mismanagement and fraudulent acts.

In order to derive maximum benefits from the use of internal audit department, the management of John Holt Nigeria Plc should ensure procurement of auditing software such as audit command language ACL. Such software will enhance the productivity and quality of the audit work. It makes the internal audit work less cumbersome, saves time, reduces audit staff strength needed for each audit assignment and as well minimises cost incurred on audit trips.

Corruption is also a major virus common within the country and it cut across various levels of government, organizations, ministries, etc. The author therefore recommends that in order to ensure internal auditors are not bribed or induced to be biased in their opinions or findings, the management of John Holt Nigeria Plc should adopt necessary measures to curb such act of bribery and corruption within the organization.
And lastly, the author deemed it necessary to recommend to the management of John Holt Nigeria Plc to always consider implementing crucial recommendations. Though not all recommendations made by internal auditors are true and unbiased but it is important to recommend that whenever management decides to implement recommendations, such recommendations should be expedited without delay. Management should likewise ensure employees and staffs of the organization are notified of any changes in policies, rules, regulations and requirements.

5.3 Own learning and professional development

The author has acquired some knowledge and learned a lot of things during the process of writing this thesis. Sticking to the demarcated thesis topic was a major challenge. Several times, I have had to modify, reframe, restructure, edit and at times delete some texts in order not to divert from the thesis topic. During the thesis process, I have learnt a lot of things which will be added advantage when I get to the labour market. Extraction of useful information was one of the things I learnt. I had to read several books, articles, journals and paraphrased the texts to avoid plagiarism. The author really benefited from the advising sessions and presentation workshops. They were quite informative. I also learnt how to draft interview questions tailored to meet the need of a research question or topic.

However, I encountered some challenges during the thesis process. Getting the interviewees was quite challenging as well as scheduling interview dates and time with them. I had to visit the company to solicit for respondents that will grant interview for the research topic. There were certain times that interview dates and time had to be rescheduled because of the busy work schedules of the interviewee. My initial plan was to interviewee 10 people however, only 6 of them could make it.

The guidelines introduced by HAAGA-HELIA University of applied sciences have been of great help and really guided me during the writing process of the thesis. My professional development has been in the areas of conducting interviews, time management and writing skills.

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Attachments

Attachment 1. Overlay Matrix

<table>
<tr><td colspan="3">Research Question
What is the importance of internal auditors in John Holt Nigeria Plc.</td></tr>
<tr><td>Investigative Questions. (IQs).</td><td>Theoretical Framework (Concepts & Models)</td><td>Result</td></tr>
<tr><td>IQ 1: What are the key responsibilities of internal auditors?</td><td>• Internal auditing.
• Auditor’s roles
• Accounting information.</td><td>True and fair view opinion.
Ensure compliance of policy.
Evaluate effectiveness & efficiency. Review credibility & reliability of Fin-statement.
Add values.</td></tr>
<tr><td>IQ 2: What is required of internal auditors in an organization?</td><td>• Auditor’s code of ethics
• Auditor’s Liability</td><td>Objectivity.
Integrity.
Confidentiality.
Competences.
Professional negligence and criminality.</td></tr>
<tr><td>IQ 3: What are the benefits of having internal auditors in an organization?</td><td>• Auditor’s report
•</td><td>Increases shareholders value.
Advice on statutory and accounting standards.
Serve as check and balances.
Manage risk.
Give assurance services.
Review control systems.</td></tr>
</table>

Attachment 2. Interview Framework

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Background:

1. Can you please tell us your name and designation in the organization?

2. How many years of auditing, accounting or managerial position work experience do you have?

IQ 1:

3. In every organization, internal auditor's roles are different and at times depend on the operating activity of the company. In your opinion, what are the main roles of internal auditors in the organization?

4. What other functions do they perform in the organization?

IQ 2

Code of ethics refers to the necessary guideline and norms that are important to the auditing profession and also depicts the behaviour of internal auditors (Institute of internal auditors 2014).

5. What do you classify as the internal auditor's professional code of ethics?

6. In your opinion, when can internal auditors be held liable in the conduct of discharging their duties?

IQ 3:

7. Does the organization derive some benefits from keeping the internal audit department?

8. What are the disadvantages of having the internal audit department?

9. Does the absence of internal auditors have any effects on the performance of the organization? If yes, what are these effects?

10. What is the usefulness of the audit report?

11. What challenges or difficulties does the internal audit department experience?

Any other comment on the topic?

Attachment 3. Respondent's details.

Date	Interviewee	Designation	Years of management experience	Interview Duration
10.10.2014	Interviewee 1	Senior Accountant	8 years	40 minutes
12.10.2014	Interviewee 2	Internal auditor	12 years	45 minutes
15.10.2014	Interviewee 3	Branch manager	13 Years	42 minutes
20.10.2014	Interviewee 4	Director	above 25 Years	38 Minutes
16.10.2014	Interviewee 5	Area manager	15 Years	48 Minutes
19.11.2014	Interviewee 6	Managing director	not specified	via email