THE EFFECT OF INTERNAL AUDIT FUNCTION ON THE FINANCIAL PERFORMANCE OF TERTIARY INSTITUTIONS IN NIGERIA

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Abstract
The study sought to establish the relationship between internal audit function and financial performance in Tertiary Institutions in Nigeria with particular reference to Cross River State College of Education, Akamkpa. Data was collected using questionnaires and interview guide as well as review of available documents and records. The method of analysis employed was survey design while the stratified sampling procedure was adopted in administering the questionnaires. The data were analyzed using simple percentages, tables, correlation coefficient and z-scores. The study revealed that all activities of the College are initiated by the top management. On the effectiveness of internal audit, the study found that the internal audit department of the College is not sufficiently staffed, does not perform their duties with greater degree of autonomy and independence from management. Also, the study found that there is a flaw of audit model in the College. The study further revealed that internal audit function has no significant effect on the financial performance of Cross River State College of Education. The investigation recommends competence profiling in the internal audit unit of the Institution which should be based on what the College expects the internal audit to do and what appropriate number of staff would be required to do the job. It also recommends that the head of the Internal Audit Department should be a professional or a member of any professional Accountancy body in Nigeria for ethical justification.

Keywords: Internal audit, internal control system, financial performance, financial and non financial procedure
INTRODUCTION

Internal auditing serves as an important link in the business and financial reporting processes of corporations and not-for-profit organizations. Internal auditors play a key role in monitoring a company's risk profile and identifying areas to improve risk management. The aim of internal auditing is to improve organizational efficiency and effectiveness through constructive criticism. Internal Auditing has four main components: viz; verification of written records, analysis of policy, evaluation of the logic and completeness of procedures, internal services and staffing to assure they are efficient and appropriate for the organisation’s policies; and reporting recommendations for improvements to management. The subject is worthy of attention because internal auditors are important, even crucial, in an economy that relies upon independently produced information.

Indeed, Internal Audit has become an indispensable management tool for achieving effective control in both public and private organisations. Control mechanisms are those processes set up to monitor and to direct, promote or restrain the various activities of an enterprise for the purpose of seeing that enterprise objectives are met. By detecting weaknesses in management operations, Internal Auditing provides a basis for correcting deficiencies that have eluded the first line of defense before these deficiencies become uncontrollable or are exposed in the external auditor’s report.

In Cross River State College of Education, Akamkpa, financial performance is one aspect that has not been given the attention it deserves. College staff has in a number of cases been given College resources and have failed to account for the resources entrusted to them or have not made the necessary accountabilities on time. College auditors (internal and external) have noted cases where funds are advance to staff but six months elapse without the responsible officer providing necessary accountability. When an organization suddenly collapses, the often resounding question is “what went wrong”? A breakdown in the internal controls system is the usual cause. Internal control is a process that guides an organization towards achieving its objectives. These objectives includes; operational efficiency and effectiveness, reliability of financial reporting and compliance with relevant laws and regulation (COSO 1992). Absence of these variables often creates problems in organizations and eventually leads to poor financial performance.

Research Hypothesis

Ho: Internal audit function has no significant effect on financial performance of tertiary institutions in Nigeria
THEORETICAL FRAMEWORK & LITERATURE REVIEW

Theoretical Framework

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

According to Anderson, Francis & Stokes (1993), Agency theory describes firms as necessary structures to maintain contracts, and through firms, it is possible to exercise control which minimizes opportunistic behaviour of agents. In order to harmonize the interest of the agent and the principal, a comprehensive contract is written to address the interest of both the agent and the principal; they further explain that the relationship is further strengthened by the principal employing an expert to monitor the agent.

Other related reviews include the Sarbanes-Oxley act of 2002 (SOX) which requires companies to report on the effectiveness as part of an overall effort to reduce fraud and restore integrity to the financial reporting process.

Morris, J.J. (2011) assert that software vendors that market enterprise resource planning (ERP) system have taken advantage of this new focus on internal controls by emphasizing that a key feature of ERP system is the in-built controls that mirror a firm’s infrastructure. They emphasized these feature in their marketing literature, asserting that these systems will help firm’s improve the effectiveness of their controls as required by Sarbanes-Oxley Act.

Evaluation of Internal Control System

Aguolu (2002) while commenting on the evaluation of internal control stated that it is almost impossible to study auditing or to be able to perform any meaningful audit in practice without having a perfect grasp of the concept of internal control. According to him, internal control system forms the bedrock of auditing both from the point of view of management and the auditors.
Udu (2006) while examining the financial control and accountability in local government opined that one of the ways by which management can discharge the responsibility of detecting and preventing fraud, waste, abuse and errors is by instituting an effective internal control system. He went further to submit that internal control could be in any of the following form, viz:

- **Preventive** – to prevent undesirable events from happening.
- **Detective** – to indicate and manage undesirable events which may threaten that organization and or which have happened.
- **Directive** – to cause or encourage a desirable event to occur.

Oshisami (2004) while evaluating Government Accounting and financial controls said that internal control can do much to protect against both errors and irregularities and ensure the reliability of accounting data. He went further to categorize control in the following areas:

- Financial Control
- Internal Audit
- Administrative control
- Accounting control (which includes; control techniques, internal deck, supervision and checking and resolution of audit queries).
- Budgeting control

O’ Relly, Winogard and Jacnicke (1999), quoting Auditing standards section 319 stated as follows; “A sufficient understanding of internal control is to be obtained to plan the audit and to determine the nature, timing and to determine the nature, timing and extent of tests to be performed”.

**Financial and Non Financial Procedures**

Subomi (2010) opined that financial controls in an organization focus on the key transaction areas, with emphasis being on the safeguarding of assets and the maintenance of proper accounting records and reliable financial information. He went further to submit that non-financial controls tend to concentrate on wider performance issue; of which some are quantitative and some are qualitative. Quantitative non-financial according to him include controls like performance indicators, score card and qualitative control include things like organizational structure, rules and guideline, strategic plant etc. He concluded by grouping financial control procedure into the following category.

- **Management control**: - The management of any organization is the control that established other controls.
- **Organizational control**: - These are controls as a result of well spelt out organizational structure.
- **Segregation of Duties**: - This entails the division of financial accounting work, so that no one staff is indispensable.
• Physical Control: Necessary to protect and safeguard financial records and assets.
• Authorization Control: To ensure that only properly authorized transactions are processed.
• Supervision Control: Controls exercise by the organization hierarchy.
• Personal Control: Personal controls are established starting from the recruitment point.
• Arithmetic and Accounting Controls: These are exercise when the work of a subordinate is expose to the cross examination of a superior.
• Acknowledgement of Performance: Individuals that execute a particular action acknowledge being the doer.

Internal Control system and Financial Performance

The Institute of Chartered Accountants in England and Wales (ICAEW) statement of Auditing defines internal controls as not only internal check and internal audit, but the whole system of control, financial and otherwise, established by management of an organization in order to carry on the business of the entity in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of its records. It is therefore worth noting from the above, that properly instituted systems of internal control will enhance better financial performance. It will ensure; completeness of all transactions undertaken by an entity, that the entity’s assets are safeguard from theft and misuse, that transactions in the financial statements are stated at the appropriate amounts, that all assets in the financial statement of a company do exist, that all the assets presented in the company’s financial statements are recoverable and that the entity’s transactions are presented in the appropriate manner according to the applicable reporting framework.

The American Institute of Certified Public Accountants (AICPA) adopted as its definition of internal control the following statements; “Internal Control comprise the plan of the organization and all the coordinate methods and means adopted within the business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency and encourage adherence to prescribed managerial policies: According to AICPA, internal control is the term generally used to describe how management assures that an organization does meet its financial and other objectives. Thus, internal control system not only contributes to managerial effectiveness but is also important duties of corporate Board of Directors. Internal Control has been defined by the Committee of Sponsoring Organization of the Tradeway Commission (COSO 1992) in internal control integrated framework, as; “A process effected by an entity’s board of directors, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories, effectiveness and efficiency of operations (basic operational objectives,
performance goals and safeguarding resources); reliability of financial reporting; compliance with applicable laws and regulation”.

The commission further added that internal control is a management tool used to provide reasonable assurance that the public sector organization’s objectives are being achieved efficiently. Internal control covers the whole system of controls, policies and procedure established by management to meet their targets and objectives.

The three major categories of management objectives comprise; effective operations, financial reporting and compliance. Effective operations are about safeguarding the assets of the organization. The physical assets like cash, non physical assets like receivable, important documents and records of the organization can be stolen, misused or accidentally destroyed unless they are protected by adequate controls. The goal of financial control requires accurate information for internal decision because management has a legal and professional responsibility to ensure that information is prepared fairly in accordance with applicable accounting standard e.g. International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS). Organizations are equally required to comply with many laws and regulations including company laws, tax laws and environment protection laws.

**Literature Review**

Recent case studies on internal auditing in Belgium illustrate the importance of the control environment when studying internal auditing practices. Saren & De Belde (2006) assumed that when an organization pursues integrity and clear ethical values reflected in a formal code of conduct/ethics, the internal audit function will take a greater importance. Internal control systems not only contribute to managerial effectiveness but are also important duties of corporate board of directors. Accounting literature likewise emphasizes the importance of an organization’s integrity and ethical values in maintaining an effective control.

A focus on integrity and ethical values was the principal contribution of internal control – integrated framework published by COSO on fraudulent financial reporting. To trigger independence and integrity of Auditors and Accountants, the Accountancy profession globally has a document called the code of Ethics issued by the International Federation of Accountants (IFAC). In the case of Nigeria, there is a code of conducts issued by the Institute of Chartered Accountants of Nigeria (ICAN). This code contains some ethical standards which members are expected to comply (Kalu 2011). Performance refers to the ability to operate efficiently, profitability, survive growth and react to the environmental opportunities and threats (Mawanda 2008). Thus, performance is measured by how efficient an organization is in use of resources in achieving its objectives. It is the measure of attainment achieved by an individual, team,
institution or process. Hitt, et al (1996) believes that many firms low performance is the result of poorly performing assets.

However, appropriate performance measures are those which enable organizations to direct their actions towards achieving their strategic objectives. Verschor (1999) however, mentioned other financial measures and include value of long term investment, financial soundness, and use of corporate assets. He also talks of non financial performance measures and include; innovation, ability to attract, develop and keep talented people, quality of management, quality of products or services and community and environmental responsibility. Hitt, el al (1996) mention accounting based performance using three indicators; Return on Assets (ROA), Return on Equity (ROE), and Return on Sales (ROS). Each measure was computed by dividing net income by total assets, total common (ordinary) equity, and total net sales, respectively. Mawanda (2008) also identified other measures of financial performance to include;

Reporting: Whittington and Pany (2001), talk about the comprehensiveness of internal controls in addressing the achievement of objectives in the areas of financial reporting, operations and compliance with laws and regulations. They further noted that, internal control also includes the program for preparing, verifying and distributing to the various levels of management those current reports and analyses that enable executive management to maintain control over the variety of activities and functions that are performed in an organization. They mentioned internal control devices to include; use of budgetary techniques, production standards, employee training, among others. According to Morris, J. J. (2011), enterprise resource planning systems provide a mechanism to deliver fast, accurate financial reporting with built-in controls that are designed to ensure the accuracy and reliability of the financial information being reported to owners.

Accountability: Bakbinga (2001) believed that corporate law requires a divorce between ownership and managements of an entity. Owners normally entrust their resources in the hands of managers. Managers are required to use the resources entrusted to them in the furtherance of the entity’s objectives. Managers normally report to the owners on the result of their stewardship for the resources entrusted to them through a medium called financial statement.

It is these financial statements that reveal the financial performance of an entity. For the purpose of this research, the owners of the College are the government and the people of Cross River State where as the managers are the College Governing Council and Management.

Accountability can be political, social or financial accountability. According to Hayes, et al (2005), reporting is one way through which managers make accountability for resources entrusted to them.
RESEARCH METHODOLOGY

Based on the nature and variability of the phenomena under study, the cross sectional survey design approach was justified on the account of its economy, rapid data collection and ability to understand a population from a part. The researcher designed, developed and administered close ended questionnaires to top management staff, academic and non – academic staff of Cross River State College of Education, Akamkpa. This was used for the purpose of obtaining data to test the hypothesis.

However, greater emphasis was laid on capturing members in finance and finance related offices. The stratified sampling procedure was adopted in administering the questionnaires to guide the study. The sampling technique used for the study is the judgment (purposive) sampling. Purposive sampling is where the researcher consciously decides who to include in the sample. Data was collected using both primary and secondary data collection technique. Primary data was gathered basically through structured questionnaires and interviews with “key informant members”. Secondary data was gathered through College publications, text books, journal, etc.

The data collected were synthesized and analyzed to give meaning to the specific objective of the study. The data were tabulated and presented using such statistical tools like percentages, tables and correlation coefficient. The entire hypotheses formulated were tested using the z-score. Correlation was used as a way of assessing the relationship between internal audit function and financial performance. Narrative analysis was used to explain the qualitative results of the survey.

ANALYSIS AND DISCUSSION OF FINDINGS

Data Presentation

The data collected for the study are presented using tables:

<table>
<thead>
<tr>
<th>S/No</th>
<th>Group of Staff</th>
<th>QD</th>
<th>QR</th>
<th>PQR(%)</th>
<th>QNR</th>
<th>PQNR(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Deans of School</td>
<td>5</td>
<td>4</td>
<td>80</td>
<td>1</td>
<td>20</td>
</tr>
<tr>
<td>2</td>
<td>Heads of Dept.</td>
<td>23</td>
<td>22</td>
<td>96</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>Bursary Staff</td>
<td>16</td>
<td>16</td>
<td>100</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>Internal Audit Staff</td>
<td>6</td>
<td>6</td>
<td>100</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5</td>
<td>Other Academic Staff</td>
<td>10</td>
<td>10</td>
<td>100</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6</td>
<td>Other Non-academic Staff</td>
<td>17</td>
<td>17</td>
<td>100</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL</strong></td>
<td><strong>77</strong></td>
<td><strong>75</strong></td>
<td><strong>2</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
In the Table 1;

\[ QD = \text{Questionnaire distributed} \quad QR = \text{Questionnaire received} \]
\[ PQR = \text{Percentage of questionnaire received} \quad QNR = \text{Questionnaire not received} \]
\[ PQNR = \text{Percentage of questionnaire not received} \]

Table 2: Collation of Responses on whether Internal Audit Function has any significant effect on Financial Performance.

<table>
<thead>
<tr>
<th>Q.NO</th>
<th>QUESTION/STATEMENT</th>
<th>RESPONDENTS</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Cross River State College of Education has an internal audit department</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) Strongly agree</td>
<td>38</td>
<td>51</td>
</tr>
<tr>
<td></td>
<td>(b) Agree</td>
<td>30</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>(c) Strongly disagree</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>(d) Disagree</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2.</td>
<td>The College internal Audit department is sufficiently staff</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) Strongly agree</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>(b) Agree</td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>(c) Strongly disagree</td>
<td>54</td>
<td>72</td>
</tr>
<tr>
<td></td>
<td>(d) Disagree</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>3.</td>
<td>Internal Audit staff conduct regular audit activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) Strongly agree</td>
<td>45</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td>(b) Agree</td>
<td>24</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>(c) Strongly disagree</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>(d) Disagree</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>4.</td>
<td>The College Internal Auditors perform their duties with a greater degree of autonomy and independence from Management.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) Strongly agree</td>
<td>9</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>(b) Agree</td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>(c) Strongly disagree</td>
<td>38</td>
<td>51</td>
</tr>
<tr>
<td></td>
<td>(d) Disagree</td>
<td>18</td>
<td>24</td>
</tr>
<tr>
<td>5.</td>
<td>Internal audit report addresses weakness in the College controls system.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) Strongly agree</td>
<td>24</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>(b) Agree</td>
<td>20</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>(c) Strongly disagree</td>
<td>16</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>(d) Disagree</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>6.</td>
<td>College internal auditor makes appropriate recommendation for management to improve.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) Strongly agree</td>
<td>33</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td>(b) Agree</td>
<td>18</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>(c) Strongly disagree</td>
<td>20</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>(d) Disagree</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
7. College management discusses internal audit report frequently
   (a) Strongly agree 51 68
   (b) Agree 12 16
   (c) Strongly disagree - -
   (d) Disagree 12 16

8. College internal auditors lack the basic skills to perform their duties.
   (a) Strongly agree 22 29
   (b) Agree 28 37
   (c) Strongly disagree 9 12
   (d) Disagree 16 22

9. There is flaw of audit model and accounting system in the College
   (a) Strongly agree 35 47
   (b) Agree 16 21
   (c) Strongly disagree 21 28
   (d) Disagree 3 4

   Proper accountability and supervision of internal auditors work will help to improve financial performance in the college.
   (a) Strongly agree 56 75
   (b) Agree 11 15
   (c) Strongly disagree 3 4
   (d) Disagree 5 6

### Analysis of the Data

Table 1 shows that the total number of questionnaire distributed to the selected staff is 77 with 75 of them representing 97 percent completed and returned. Only 2 or 3 percent of the questionnaire were not returned. Therefore, completed and returned questionnaire have been used for the analysis and evaluation of the reasons for the effect of internal controls system on Financial Performance of Tertiary Institution, with Cross River State College of Education, Akamkpa as case study.

Table 2 shows responses on the quality of internal audit function. 38 respondents or 51 percent of the staff strongly agreed that the College has an internal audit department. Also, 3 or 4% of the staff strongly disagreed to this. 4 or 5% of the respondents disagreed to this view. Again, 5 or 7% of the respondents strongly agreed that the internal audit department is sufficiently staff, 10 or 13% also agreed this view whereas, 54 or 72% of the respondents strongly disagreed that the audit department is sufficiently staff. Also 45 or 60% of the respondents strongly agreed that internal auditors conduct regular audit activities. 24 or 32% of the staff also affirmed to this view. 3 or 4% of the respondents disagreed. Again 35 or 47% of
the staff strongly agreed that there is flaw of audit model and accounting systems. 16 or 21% of the respondents agreed to this.

Test of Hypothesis
Ho: Internal audit function has no significant effect on financial performance of tertiary institutions in Nigeria

Decision Rule:
Reject Ho: if z > za or if z < -za
Accept HO: if z < za or if z > -za
Where; z = test statistic (value)
Za = critical (table) value.
Level of significance used is 5%
The critical value is z = 0.05 = 1.96
The statistical test z = \( \frac{\bar{X} - \bar{Y}}{S \bar{X}} \)

Table 3: Computation of z-test statistic

<table>
<thead>
<tr>
<th>X</th>
<th>Y</th>
<th>X^2</th>
<th>Y^2</th>
<th>XY</th>
</tr>
</thead>
<tbody>
<tr>
<td>68</td>
<td>7</td>
<td>4624</td>
<td>49</td>
<td>476</td>
</tr>
<tr>
<td>15</td>
<td>60</td>
<td>2225</td>
<td>3600</td>
<td>900</td>
</tr>
<tr>
<td>69</td>
<td>6</td>
<td>4761</td>
<td>36</td>
<td>414</td>
</tr>
<tr>
<td>19</td>
<td>56</td>
<td>361</td>
<td>3136</td>
<td>1064</td>
</tr>
<tr>
<td>44</td>
<td>31</td>
<td>1936</td>
<td>961</td>
<td>1364</td>
</tr>
<tr>
<td>51</td>
<td>24</td>
<td>2601</td>
<td>576</td>
<td>1224</td>
</tr>
<tr>
<td>63</td>
<td>12</td>
<td>3969</td>
<td>144</td>
<td>756</td>
</tr>
<tr>
<td>50</td>
<td>25</td>
<td>2500</td>
<td>625</td>
<td>1250</td>
</tr>
<tr>
<td>51</td>
<td>24</td>
<td>2601</td>
<td>576</td>
<td>1224</td>
</tr>
<tr>
<td>67</td>
<td>8</td>
<td>4489</td>
<td>64</td>
<td>536</td>
</tr>
</tbody>
</table>

\[ \sum X = 497 \quad \sum Y = 253 \quad \sum X^2 = 28,067 \quad \sum Y^2 = 9,767 \quad \sum XY = 9,208 \]

\[ \sum X \sum Y = 125,741, \ (\sum X)^2 = 247,009, \ (\sum Y)^2 = 64,009 \]

Substituting these values in the formula
\[ r = \frac{N \ (\sum XY) - (\sum X) (\sum Y)}{\sqrt{N \sum X^2 - (\sum X)^2} \ N \sum Y^2 - (\sum Y)^2} \]
Comparing the critical value with the test statistics = -1.0000 >- 1.96
Decision: since the negative value of the z statistic is higher than the critical or table value and falls outside the acceptable region. Therefore, the alternative hypothesis $H_1$ is rejected. The null hypothesis $H_0$ is then accepted that internal audit function has no significant effect on the financial performance of tertiary institutions

**Discussion of Findings**

**Internal Audit Function: Effects on financial performance**

The quality of internal auditors work is expected to ensure the internal auditors have an independent mental attitude to the performance of their work. And also to ensure that internal auditors have an honest belief in their work product and that no significant quality compromise is made.

Unfortunately, in Cross River State College of Education, internal auditors do not perform their duties with greater degree of autonomy and independence from management.

The internal audit control system is only as effective as the personnel who implement and perform the controls. Thus the responses show in table 4.2 and the result of the test statistic revealed that independence of internal auditors is not enough; the internal audit department is in dearth of staff, lack of basic skills to perform their duties as well as flaw of audit model and accounting systems.

These results collaborate with the views of Chen, Hua and Zhao, (2006) that independence is the key to ensure audit quality. The table also showed that internal audit department report weaknesses in the system and makes appropriate recommendation to management, thereby proving as valid the hypothesis that internal audit function has no significant effect on financial performance of Cross River State College of Education.

**CONCLUSION AND RECOMMENDATIONS**

Based on the findings of the study, it is concluded that the College has an effective internal controls system as supported by the study findings and responses to questionnaire on clear separation of roles, supervision and management commitment to control activities. However, there are challenges in the area of staff training, flaw of audit model and accounting system, auditors’ independence and staffing; which clearly affected their efficiency as revealed by this study.
Since it was evident in the study, that the staffing level in the internal audit department is not adequate to cover the entire College set up, the study therefore recommends competence profiling which should be based on what the College expects the internal audit to do and what appropriate number of staff would be required to do the job.

The study also recommends that Management should establish and implement periodic review of internal audit performance to ensure that its performance and value to the Institution is maximized and to ensure compliance with appropriate standards and guidance. The study further recommends that the head of Internal Audit department should be a professional accountant and registered with any of the professional accountancy body in Nigeria to ensure ethical righteousness.

REFERENCES
COSO Definition of Internal Control (on-line: http://www.coso.org
Cross River State College of Education (2010). College handbook


