BUSINESS GROWTH AND INTERNAL AUDIT PRACTICES
(A STUDY OF OSHODI/ISOLO LOCAL GOVERNMENT OF LAGOS STATE)

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ABSTRACT

Small and Medium Scale Enterprises are generally recognized as the engine of economic growth and development in both developed and developing nations. Despite the theoretical importance of the SME sector, business growth of SMEs has been sluggish in Nigeria. Internal auditing has been identified as an internal resource that could be used to improve business growth in the SME sector. Thus, this study examines the potency of the impact of internal auditing on business growth of SMEs. The study employed the survey research design to conduct the research work. The population of the study consists of managers, supervisors, accountants/accounts officer, internal auditors, owner managers and other responsible employees of organized SME retailed shops in Oshodi/Isolo Local Government Area of Lagos State, which was estimated at 150 and a sample size of 109. Data was collected using a structured questionnaire constructed by the researchers. The regression analysis with the aid of SPSS (version 25) was adopted to analyze the data. The regression model indicates that internal auditing function statistically and significantly predict business growth of SMEs in Nigeria {$F(3,98) = 3.716$; $P = 0.14$}. Thus, the study concludes that the internal auditing function has positive and significant impact on business growth of SMEs. The study recommends that SMEs should establish an independent audit function that would lead to value creation and ensuring business growth through efficient risk management and sound internal control system.

Introduction

The Small and Medium Scale Enterprise (hereafter referred to as SME) sector is generally recognized as the engine of economic growth and development in

both developed and developing nations. Price Water Coopers (PWC, 2020) averred that the SME sector of any economy contribute to development, job creation and export among others. According to the International Labour Organization (2008), the SME sector accounts for 80% and 50% of job creation in Japan and Germany respectively. In terms of contribution to Gross Domestic Product (GDP) in developing countries such as Uganda, Kenya and Nigeria, the sector contributes 20%, 19.5% and 24.5% respectively (Kilonzo & Ouma, 2015).

In Nigeria, PWC (2020) observed that SMEs contribute nearly 24.5% of the country's GDP and account for over 80% of employment in the Nigeria. They operate actively in sectors such as food processing, cottages arts and crafts, mining, textiles and clothing, leather and leather product, basic metal, metal fabrication and engineering (Obim, Anake & Obim, 2017).

The key to survival of these businesses in a dynamic global business environment is anchored on the potential of sustainable business growth. Business growth is an indication of the success of a business entity. Business growth rate is as powerful in explaining the overall results of a business as other well-known variables such as size, operational efficiency, liquidity, leverage, inflation, exchange rate, economic growth and interest rate among others (Musah, Kong, Atwi, Donkor, Quansah & Obeng, 2019).

Business growth is capable of providing SMEs with countless benefits such as increased efficiencies as a result of economies of scale, greater capability to weather market fluctuations, an increased profitability and sustainability and increased corporate reputation. Growth is used as one

indicator of effectiveness for SMEs and is a fundamental concern of many practicing entrepreneurs and managers as well as the academia. Thus, SMEs desire business growth as a sign of success and progress. Aribaba, Oladele, Ahmodu and Yusuff (2019) observed that SMEs in Nigeria have performed below their expectation as they've not effectively played the crucial role of creation wealth and employment opportunities as well as contribute significantly to GDP of Nigeria.

SMEs are characterized by mismanagement, limited control to ascertain fraud, illiteracy and ignorance, inability to distinguish between working capital and personal cash, lack of growth, inadequate funding, incessant closure of business, unorganized system of account or poor management of funds, non- motivational welfare factors, inadequate resources and raw materials needed for production, ineffective communication among others (Bello, 2018).

Owolabi, Jayeola and Ajibade (2016) observed that widening gap between management and action has made it necessary to develop a series of controls by means of which the business may be administered efficiently. Thus, internal auditing (hereafter referred to as IA) has become an essential management tool employed to control the operations of an entity in order to ensure business growth.

IA is an independent appraisal function established by an enterprise to assess organizational operations and activities as a service to the organization. It helps the organization create value and improve the operations of the organization. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and

improve the effectiveness of risk management, control, and governance processes.

According to Chowdhury, Chowdhury and Bhuiyan (2017), IA is the most effective mechanism to improve the performance of a firm. The IA work includes physical verification of inventory, payroll, purchasing system and post payment audit. In this regard, this study recognized IA as the most effective mechanism to improve business growth of SMEs.

Statement of the Problem

Despite the theoretical importance of this powerful sector, SMEs have not lived to the billing. The basic business problem is inability of SMEs to survive beyond the first five years of their existence. Several SMEs collapse within five years of incorporation; smaller number of them dies within 6 to 10 years of existence and on the other hand, only 5% to 10% of SMEs survives and grows to maturity.

Similarly, Onyewu, Muoneke and Abayomi (2021) noted that SMEs in Nigeria are characterized by a slow business growth rate. The sluggish business growth of SMEs has significantly reduced their contribution to the growth of the nation's GDP. It has also impacted on the competitiveness against the bigger firms including multinational firms, reduced benefits from economics of scale as well as the reduction of profitability and ultimate sustainability.

According to Bunyasi and Bwisa (2014) the inability of SMEs to grow has brought about a sectorial vacuum denoted to as the "missing middle". It is called the missing middle because the economy loses the contribution of the sector to its growth such as supply of input to the industrial sector, job creation, etc. Thus, there is call for management controls and principles to ensure organizational efficiency and effectiveness. Endaya and Hanefah (2013), averred that IA has become a crucial function within organizations, however, insufficient attention has been given to study the IA compared to external auditing. This study sought to investigate how to employ the IA function to enhance business growth.

Literature Review
Conceptual Clarification

Here, we dealt with conceptual clarification of IA and business growth in relation to SMEs in Nigeria. The discussion covers the concepts of SMEs, business growth and IA and their constructs.

Small and Medium Scale Businesses

Though, we have a rich literature on the concept of SMEs; however, there is no generally accepted definition of SME. The definition of SME in the extant literature vary according to jurisdiction and institution which could be based on number of employees, performance (turnover and balance sheet size), legal status, target region and institution as well as method of production.

Bismark, Kofi, Kofi and Eric (2018) categorized SMEs into three categories. First, micro - with less than 6 employees, very small - with 6 - 9 employees and small - with 10 to 29 employees. National Council of Industries (2010) defined SMEs as business enterprises with a total costs excluding land of not more than ₦200 million.

The Finance Act 2019 defined small companies as companies with annual gross turnover of ₦25 million and below while medium sized companies are defined as companies with annual gross turnover of over ₦25 million but less than ₦100 million. On the other hand, large companies are

defined as companies with annual gross turnover of greater than ₦100 million.

Section 394 (3) of Company and Applied Matters Act (CAMA) 2020, defines a small company as one which satisfies the following conditions: a private company with a share capital, an annual turnover not more than ₦120 million or such amount as may be fixed by the commission from time to time, net asset value not more than ₦60 million, none of its members is an alien, none of its members is a government corporation or agency or its nominees, and the directors between them holds not less than 51% of the equity capital.

The definition forwarded by CAMA 2020 contradicts the definition put forward by the Finance Act 2019. Thus, the Finance Act 2020, provided amendment to resolve the inconsistency between the Finance Act 2019 and CAMA 220. The Finance Act 2020 made a distinction between medium sized companies and small companies. It defined small companies as companies with annual gross turnover ranging between one million naira and twenty-five million naira while medium sized companies are defined as companies with annual gross turnover above ₦25 million but less than ₦100 million. The definition of Finance Act 2020 is closer to that of CAMA 2020.

For the sake of this study, the definition of SME put forward by Bismark, *et. al.* (2018) is adopted. That is, SMEs imply firms with between 10 and 29 employees. This definition of SMEs is adopted because it has more feasible features assessable to the researchers. Since, SMEs in Nigeria do not publish annual reports to determine their asset base.

Business Growth

SMEs pass through different stages of growth in their existence referred to as life cycle (Gupta, Guha and Krishnaswami, 2013). The business first appears in the market, then survives and then grows (in the process encounter challenges and crisis) to maturity and then declines. Business growth is considered as an important measure of success and survival of SMEs. It is capable of providing SMEs with countless benefits such as increased efficiencies as a result of economies of scale, greater capability to weather market fluctuations, an increased profitability and sustainability and increased corporate reputation.

Generally, business growth refers to sales growth, growth in work force, increased productivity and increased level of asset utilization. Similarly, Gupta, *et. al.* (2013) defined business growth in terms of revenue generation, creation of value, and expansion with respect to volume of the business.

Business growth is typically defined and measured using absolute or relative changes in sales, assets, employment, productivity, profits and profit margins. Growth in business is a process of improving some measure of an enterprise's success largely through cost minimization and profit maximization. It can be defined in terms of revenue generation, value addition, and expansion in terms of volume of the business.

Determinants of Business Growth

Different studies have identified different factors that determine business growth; however, there is no consensus on the specific factor that determines business growth. For instance, Gupta, *et. al.* (2013) identified history of the business, entrepreneur's characteristics, different agencies (such as market and government) and geography as some of the factors that influence business growth. Aregbeyen (2012)

identified the firm's previous growth rates, size, age, capital intensity, financial constraints, management efficiency and the extent of vertical integration as significant determinants of business growth. However, the study noted that influence depends on definition of growth and/or measurement and estimation method.

Zhuo and Wit (2009) classified determinants of business growth into three dimensions – individual, organization and environment determinants. They argued that these three measures generally facilitate business growth.

Individual determinants of business growth relates to business decisions made by individual entrepreneurs. They include personality traits (need for achievement, risk taking propensity, locus of control, self-efficacy and extraversion), growth motivation, individual competences and personal background (Zhuo & Wit, 2009).

Organizational determinants are firm-wise factors which influence business growth. They include firm attributes (firm age and size), firm strategies, firm specific resources (financial resources and human capital), organization structure and dynamic capability (Zhuo & Wit, 2009).

Environmental determinants are factors external to the firm. It includes dynamism (market or technology), heterogeneity (complexity of the environment), hostility (this could create threats to the business through increased intensity of competition) and munificence (an environment's support such as market potential (Zhuo & Wit, 2009).

For the sake of this study, business growth is defined as the expansion in the operations of SMEs with regards to sales growth, increase in profitability, increase in asset utilization and increase in productivity of employees.

Internal Auditing

The IIA defines IA as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It is a catalyst for improving an organization's governance risk management and management control by providing insight and recommendations based on analysis and assessment of data and business processes.

A properly defined IA function could play an essential role in an organization by evaluating the system of internal control, effectiveness of significant control, governance and risk management process (Ismajli, *et. al.*, 2017). It would aid the organization to accomplish her goals through a systematic and disciplined approach that evaluates and improve the effectiveness of processes of governance, control, and risk management.

The IA function applies principles in an organization to ensure efficiency in the growth and development of a firm leading to sustainable financial condition (Yeboah, 2020). Thus, Alzeban and Gwilliam (2014) believe that failure in an organization is the result of poor implementation of IA practices (cited in Yeboah, 2020).

The IA function provides proprietors of businesses and other stakeholders with an independent view on whether the organization has an appropriate risk and control environment, whilst also acting as a catalyst for a strong risk and compliance culture in an organization.

The dynamic nature of the business environment has led to the expansion in scope of the IA function in that it can make more contributions to organizational

effectiveness. Thus, it has been performed within different business, legal, social and cultural environment. Its complexity, purpose, size and structure vary according to the environment.

Determinants of Internal Audit Effectiveness

There is no consensus among researchers either about the factors influencing the IA function and how it can be measured or the best framework for IA effectiveness. Different researchers have identified different determinants of IA effectiveness empirically. For instance, Awinbugri and Daniel (2019) in an examination of determinants of IA effectiveness in selected hospitals in Kumasi, Ghana, found that motivation, independence, effective internal control, adequate IA charter and frequent IA meetings are the major determinants of the IA effectiveness.

Musah, Gapketor and Anokye (2018) identified size of IA unit, competence of IA personnel, independence of IA and good relationship between internal and external auditors as significant determinants of IA effectiveness (Musah, *et. al.*, 2018; Yeboah, 2020). In a related study, Karrar and Elbashir (2018) identified management support, management's perception of IA personnel, independence of IA, employment of competent IA staff and the presence of approved IA charter.

Kolawole, Dairo, Jacob and Aregbesola (2020) identified internal auditors' independence, professional competence and internal control system as measures of IA function. In a study of effect of IA function on financial performance, Omwono and Wanyama (2021) employed risk management, budgetary control and financial accountability as determinants of effectiveness of IA function.

From our review of the extant literature on determinants of IA effectiveness, independence of IA function, internal control system and risk management, thus, the study has employed these determinants to measure the IA function.

Independence of IA

According to Singh, Ravindran, Ganesan, Abbasi and Harm (2021), the effectiveness of IA function is contingent upon independence. It describes the freedom of the IA function from conditions that would pose as threat to the performance of its function in an unbiased manner. That is, freedom from interference in determination of the scope, performance and reporting of IA function.

Internal Control System

Internal control system is defined as the integration of the activities, plan, attitude, policies, system, resource and effort of the employees of the firm working together to provide reasonable assurance that the organization will achieve its objectives and mission. The role of IA function is to ensure that the system operates according to plan.

Risk Management

The role of IA in risk management is very important; in fact internal auditors understand the concept of risk management (Ismajli, Kerati & Feratis, 2017). It is responsible for assessing the effectiveness of risk management in every firm.

Theoretical Frameworks

The study was underpinned on the resource based theory. Some researchers linked the resource based theory to a study by Ricardo in the 19th century while other scholars linked the theory to studies of

Bernard in 1938, Selznick of 1957, Penrose of 1959 as well as Wernerfelt of 1984 (Hadi, Abdullah & Sajilan, 2015).

The theory suggests that the firm can generate its unique resources and capabilities in order to create competitive advantage to ensure business growth. These internal resources include physical resources (such as capital, finance and plant, property and equipment) and internal resources (human resources, goodwill). In this regard, IA function is considered as a critical resource required by SMEs to ensure optimal business growth.

The IA function would contribute to business growth of SMEs by responding to environmental threats and opportunities adequately. Prior studies such as Hadi, *et. al.* (2015) and Usang and Salim (2016) employed the resource based theory to investigate the impact of the IA function on various organizational outcomes.

Empirical Review

There is inconsistency in research result; while some studies found positive result, others found negative effect. Similarly, while some others found significant relationship, other studies did not. For instance, Omwono and Wanyama (2021) investigating the effect of IA function on financial performance of Rift Valley Bottler's Limited, Eldoret, Kenya, found that IA function affects financial performance. Similarly, Ibama and David (2021) revealed that IA function has a positive relationship with financial performance of Telecommunication firms in Nigeria.

Fonsena, Jorge & Nascimento (2020) examined the link between IA and accountability. The study revealed that information provided in the scope of IAs contributes to the improvement of management effectiveness (Fonsena, *et. al.,*

2020). Ismajli, *et. al.* (2017) examined the role of IA function in risk management in private sector companies in Kosovo. The study adopted the survey research design using questionnaire to carry out the investigation. The study revealed that the IA function plays a very important role in risk management.

In a study of the role IA and control play on organizational objective achievement, Ibironke and Elewor (2020) suggest that IA and control has a positive and significant effect on organizational objective (such as revenue, profit generation and shareholders' value of banks). Similarly, Usang and Salim (2016) revealed a positive and significant relationship between the IA function and performance of Nigerian local governments.

A study conducted by Saddam, Mosab, Jinyu, Saleh and Najib (2020) on the role of IA in improving financial performance revealed that IA has a significant impact on the overall performance. Similarly, Kolawole, *et. al.* (2020) in a study of consumer goods companies in Nigeria indicated that IA has significant influence on financial performance.

Kiabel (2012) in an assessment of IA practices on financial performance of government-owned companies in Nigeria found that IA function does not significantly influence financial performance. Another study by Ejoh and Ejom, (2014) found that IA function does not have significant effect on financial performance.

The review of the empirical works revealed that prior studies concentrated on organizational outcome such as profitability, ignoring business growth. This has opened up gap on the scholarly work on the role of IA in business growth.

Methodology

To accomplish the objective of this research, the study employed the survey research design. The population of the study consists of managers, supervisors, accountants/accounts officers, internal auditors, owner managers and other responsible employees of organized SME retailed shops in Oshodi/Isolo Local Government Area of Lagos State. This population is estimated by the study at 150. Thus, Taro Yemani formula was employed to derive the sample size of 109. Data for the study was collected using questionnaire constructed by the researchers. IA function which is the independent variable was measured using independence of IA function, internal control system and risk management processes while business growth been the dependent variable was measured using increase in profitability, asset utilization and employee productivity. The study measured the effect of IA on business growth statistically using the regression analysis.

Model Specification

The research models for this study are formulated as stated below:

GR   = $\beta_0 + \beta_1 ID + \beta_2 IN + \beta_3 RM + \varepsilon$

Where:

GR = Growth rate;   ID = Independence of IA function; IN = internal control system; RM = Risk management processes

A-priori expectation

The *a-priori* expectation of the study from the regression model above is expressed as:

$\beta_1 — \beta_3 > O$

This implies that all the components of the independent variable (IA) are expected to have a positive impact on Business growth of SMEs under consideration. That is, the greater the effectiveness of the IA function, the higher the business growth of SMEs.

Data Presentation and Analysis

Out of the 109 questionnaires that were distributed by the researchers, only 102 were returned by the respondents. This returns which represent a return rate of 93.58% was ensured by personal distribution and collection by the researchers.

Research Question: What is the impact of internal auditing on business growth of SMEs in Nigeria?

Research Hypothesis: Internal auditing has no significant impact on business growth of SMEs in Nigeria.

The following regression model was formulated to provide answer to the research question:

GR   = $\beta_0 + \beta_1 ID + \beta_2 IN + \beta_3 RM + \varepsilon$

Table 1: Model Summary

Model	R	R^2	Adj. R^2	Std. Error
1	.320	.102	.075	.728

• Predictors: (Constant), ID, IN, RM

From table 1, our R^2 value of 0.102 indicates that 10.2% of the IA function (independent variable) explains the variability of business growth of SMEs in Nigeria (dependent variable. This implies that 79.8% of variability of the dependent variable (business growth) is explained by variables that are outside the research model.

Table 2: ANOVA

Model	Sum of Squares	Df	Mean square	F	Sig.
1 Regression	5.908	3	1.969	3.716	.014
Residual	51.935	98			
Total	57.843	101			

The ANOVA table (Table 2) which is a measure of the good of fit of the overall regression model indicates that IA function statistically significantly predict business growth of SMEs in Nigeria {F(3,98) = 3.716; P = 0.14}.

Table 3: Estimated Model Coefficients

Model	Unstandardized coefficients		Standardized coefficients	T	Sig.	95.0% Confidence interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	2.010	.518		3.883	.000	.983	3.038
ID	.154	.123	.152	1.254	.213	-.090	.398
IN	-.118	.125	-.120	-.942	.348	-.397	.131
RM	.386	.154	.288	2.498	.014	.079	.692

a.   Dependent Variable: GR

The regression model of the studies to predict the impact of IA on business growth of SMEs is given as:

GR = 2.010 + 0.154ID - 0.118IN + 0.386RM

The constant (β_0) which represents the intercept gave a coefficient value of 2.010 indicating that IA function has a positive impact on business growth of SMEs in Nigeria. The result is consistent with the *a-priori* expectation of the study. Similarly, independence of the IA and risk management function showed positive coefficient of 0.154 and 0.386 respectively while internal control system showed a negative coefficient of 0.118.

Decision

The computed *F*-statistic (3, 98) showed a value of 3.716 while the *P*-value was 0.014 that is less than the critical value of 0.05; as a result, the study rejected the null hypothesis while it accepted the alternate hypothesis. This indicates that IA has a statistically significant impact on business growth of SMEs in Nigeria.

Discussion of findings

This study investigated the impact of IA on business growth of SMEs in Nigeria. The study was limited to organized retailed shops in Oshodi/Isolo Local Government Area.

From table 3 (Estimated Model Coefficients), the constant term of the regression model showed a positive coefficient of 2.010. This indicates that the IA function in the regression estimate showed a positive impact on business growth of SMEs. That is, the greater the effectiveness and efficiency of the IA function, the greater the business growth of the SMEs. This result is consistent with the result of prior studies such as Usang and Salim (2018) and Ibironke and Elewor (2020).

The IA function assists the organization in the management of business risks such as social, ethical and environmental as well as financial and operational. The IA function plays an active role in the evaluation of internal control system in an organization. This involves the review and evaluation of the adequacy and effectiveness of the firm's internal control system. These functions would combine to enhance employee productivity, profitability, effective inventory management, risk management, asset utilization thereby ensuring business growth.

The regression estimate in the ANOVA table (table 2) showed F-statistic (3, 98) value of 3.716 and P-value of 0.014 that is less than the critical value of 0.05. Thus, the study rejected the null hypothesis while accepting the alternate hypothesis. This indicates that IA function statistically significantly predicts business growth of SMEs. That is, IA function does impact on business growth of SMEs. The result is consistent with the result of prior studies such as Usang and Salim (2018), Ibironke and Elewor (2020) and Saddam, *et. al.* (2020). However, the result negates the result of Kiabel (2012) and Ejoh and Ejom (2014).

However, it is imperative to note that the positive and significant impact of the IA function to business growth is not the major determinant of business growth. It only contributes to 10.2% variability in business growth of SMEs. The other 79.8% variability in business growth is as a result of factors not included in the research model.

Conclusion and Recommendation

It is acknowledged theoretically that IA is an essential component of the corporate government of an organization. The study examined the impact of IA function on business growth. The study revealed a statistically significant outcome of IA function on business growth. Thus, it is concluded that the IA function has positive and significant impact on business growth of SMEs.

The study recommends that SMEs should establish an independent audit function that would lead to value creation and ensuring business growth through efficient risk management and sound internal control system. The individual components of the IA such as independence, internal control and risk management should be strengthened.

Implication of the study

This study is relevant as it provides information on the role the IA work plays in business. It would encourage organizations especially SMEs to take the IA function seriously to enhance business growth. It would also contribute to the growing literature on auditing.

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QUESTIONNAIRE

Tick (√) where appropriate in the spaces provided and provides descriptive answers where requested.

Part I: General Information

1)   Gender:
a)   Male   [   ]
b)   Female   [   ]
2)   What is your current age?
a)   Under 20 years   [   ]
b)   20-30 years   [   ]
c)   31-40 years   [   ]
d)   41-50 years   [   ]
e)   51 years and above   [   ]
3)   What is your highest level of education?
a)   Primary   [   ]
b)   SSCE/NABTEB   [   ]
c)   OND/NCE   [   ]

d) HND/BSc/BA/BED/BTECH   [ ]
e) MBA/MSc/MED/MA/MTECH   [ ]
f) PhD/DBA   [ ]
g) Others   (please   specify)
…………………………………………………………
…

4) How many years have you been in business or worked this organization?
a) Less than 2 years   [ ]
b) 3- 5 years   [ ]
c) 6 - 10 years   [ ]
d) 11 - 20 years   [ ]
e) Above 20 years   [ ]

5) What industry/sector does your business operate in?
a) Trading/ service sector   [ ]
b) Manufacturing sector   [ ]
c) Extractive/agriculture   [ ]

6) What is the legal status of your business?
a) Sole, proprietor   [ ]
b) Partnership   [ ]
c) Cooperative   [ ]
d) Limited liability   [ ].
e) Others   (please   specify)
………………………………………………………….
………………

Part II:

1) Does your organization have an internal audit unit/department?
a) Yes   ( )
b) No   ( )

2) If your response in question 1 is yes, then whom does the department report to?
a) Chief Financial Officer
b) Chief Executive Officer
c) Others   (Please,   specify)
…………………………………………………………
…

3) If response in question is No, who/which department(s) carries out the internal audit function?
a) Finance/Accounts   ( )
b) External auditors   ( )
c) Other   parties   (please,   specify)
………………………………………………………….
d) None of the above   (please, specify)

4) In your opinion, which of the following job function/area is related to the internal audit function?
a) Retail operations   ( )
b) Finance   ( )
c) Information technology ( )
d) Merchandising   ( )
e) Supply chain   ( )
f) Human resources   ( )
g) Marketing   ( )
h) Internal control   ( )
i) Others   (please,   specify)
………………………………………………………….

5) Does the internal audit issue a formal report?
a) Yes   ( )
b) No   ( )

6) In your opinion, does the internal audit unit/department know the expectation of the management?
a) Yes   ( )
b) No   ( )

Part III. Effectiveness of internal audit function

This section is concern with the measurement of the effectiveness of the internal audit function in your organization. Kindly indicate the extent of agreement by ticking (√) the appropriate box in the tables below, where:

1 = Good; 2 = Satisfactory; 3 = Need improvement; 4 = Unsatisfactory; 5 = Adverse

Section A: **Independence of internal audit department/unit**

S/N	Independence of internal audit department/unit	1	2	3	4	5
A1	The internal audit unit/department perform their function freely without any interference and intervention from anybody or office					
A2	To perform the internal audit function, the internal audit unit/department access important documents, information and data about the organization freely					
A3	The internal audit unit/department freely design and decide the scope, time and extent of auditing procedures based on auditing standards and the organization's policy					
A4	The internal audit unit/department directly and independently to the highest level of management					

Section B: Internal Control System

S/N	Independence of internal audit department/unit	1	2	3	4	5
B1	The internal audit unit/department ensure that different personnel receive, count and deposit cash in Bank					
B2	The internal audit unit/department perform regular inventories of high theft items					
B3	The internal audit unit/department ensure that there is authorization by a second person before a sale can be voided by the cashier					
B4	The internal audit unit/department perform periodic self-assessment audits					
B5	The internal audit unit/department ensure that customers are issued receipt for every purchase					

Section C: **Risk management**

S/N	Risk management	1	2	3	4	5
C1	The internal audit unit/department carry out physical inventory verification and valuation					
C2	The internal audit unit/department regularly conduct market price survey on input and output (selling) prices					
C3	The internal audit unit/department conduct regular check to ensure that high shelves are not used to store heavy stock					
C4	The internal audit unit/department perform procedure to avoid loss of inventory through damages, spoilage, wastage, theft and shop lifting, etc.					
C5	The internal audit unit/department verifies salary sheets of the organization					

4. Do you believe there is an opportunity to improve your company's Internal Audit function?

    a) Yes   (   )
    b) No   (   )
    c) I don't know (   )

Part IV. Business Growth

Internal audit has been recognized as the most effective mechanism to improve the business growth. The statement in the table below relate to business growth as a result of the internal audit function listed in Part III above, kindly indicate the extent of agreement by ticking (√) the appropriate box in the tables below, where:

1 = Good; 2 = Satisfactory; 3 = Need improvement; 4 = Unsatisfactory; 5 = Adverse

S/N	Measure of Business Growth	1	2	3	4	5
D1	There has been in increase in productivity of employees of my organization					
D2	There has been in increase in utilization of facilities of my organization					
D3	There has been in increase in productivity of employees of my organization					
D4	There has been increase in revenue generation in the organization					
D5	There has been expansion in the volume of business in my organization					