Int. j. adv. multidisc. res. stud. 2022; 2(3):422-430

Received: 26-04-2022
Accepted: 06-06-2022

International Journal of Advanced Multidisciplinary Research and Studies

ISSN: 2583-049X

Dangers in administrative control of internal audit function in selected public organizations in Nigeria

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Abstract

Effective administrative control of internal audit in public organizations plays an important role in ensuring that objectives are achieved, corruptions are reduced and it further actualizes the standard of excellence in the organisation's financial operations. However, such role is often open to abuses due to the nature of organisational modus operandi and institutional hierarchy. Therefore, this paper examined the dangers of administrative control of internal audit and defines the key elements needed to minimize administrative excesses as regards internal auditing in public sector organizations. It also highlights the roles of chief executives and internal auditors as regards their independency and objectivity. This study emphasizes the reporting function of internal auditors as a first line whistle-blower and the importance of allowing them to perform their functions without undue interferences.

Keywords: Administrative Control, Internal Audit Function, Public Organization

1. Introduction

The Institute of Internal Auditors (IIA, 1999) [31] defined internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. This definition signifies that internal audit has undergone a paradigm shift from an emphasis on accountability about the past to improving future outcomes to help auditees operate more effectively and efficiently (Nagy and Cenker, 2002; Stern, 1994; Goodwin, 2004). Since the definition equally serves both the private and the public sectors (Goodwin, 2004), it is used in this study as a basis to analyze public sector internal audit effectiveness.

Internal audit in an organization is the management tool to ensure standard of excellence in the financial operation or resources utilization in that organization. The auditor examines the financial books and other assets of the organization. The auditor also ensures that effective and workable internal controls are operational in his organization. The auditor is expected to identify loopholes in the internal control system and ensure that such loopholes are blocked through appropriate measure. The auditor is to evaluate the controls put in place by the management to ensure that they are adequate to safeguard the assets of their organization including fraud prevention and detection and ensuring adherence to management policies with the ultimate aim of ensuring that financial information produce by their organization are complete, realistic, relevant, understandable and comparable with an identified base year and other related organization in the same industry.

The literature as well recognized the role of internal auditing in enhancing corporate performance, financial reporting and corporate governance (Lin *et al*., 2011; Mihret *et al*., 2010; Allegrini *et al*., 2006; Carcello *et al*., 2005; Nagu and Cenker, 2002). An internal audit function could be viewed as a *"first line defense"* against inadequate corporate governance and financial reporting (IIA, 2003) [30]. Internal audit can play an important assurance role in an organisation's governance processes, particularly in the area of risk management and control. The internal audit function can facilitate the processes which enable a business to develop high quality risk assessments (DeLoach, 2000; Walker, Shenkir and Barton, 2002). In many organisations, the expectations placed upon internal audit have increased and the function is being relied on to make a significant contribution (ICAEW, 2004).

Internal auditors have recently been given bigger responsibilities in strengthening the internal control systems and the risk management procedures (Spira and Page, 2003; Holm and Laursen, 2007) and the role of internal auditors is changing from a traditional audit approach to a more proactive value-added approach where internal auditors are taking up partnerships with management (Bou-Raad, 2000; Leung e*t al*., 2011). Beasley *et al*., (2005). Corporate management had renewed its interest in risk management and developed a new profound interest in internal auditing (Beasley etal. 2005).

Administrative /management control has been described as the direction or exercise of authority over subordinate or other organisation in respect to administration and support including organisation services force, control of resources and equipment, personnel management, unit logistic, individual and unit training, readiness, mobilization, demobilization, discipline and other matters not included in the operational mission of the subordinate or the other organisation (business dictionary.com). OECD (1996) [48] defined administrative/ management controls as the organisation policies and procedures used to help ensure that government programmes achieved their intended results; that the resources used to deliver these programmes are consistent with the stated aims and objectives of the responsible organizations; that these programmes and resources are protected from waste and fraud, and mismanagement; and that reliable and timely information is obtained, maintained, reported and used for decision making.

However, an overbearing administrative/management control over the internal audit function could severely hamper its statutory activities. Audit findings and recommendations would not serve much purpose unless management is committed to implementing them. Implementation of audit recommendations is highly relevant to audit effectiveness (Van Gansberghe, 2005). The management of an organization could be viewed as the customer receiving internal audit services yet internal audit is often subsumed under the accounts department or other administrative functions thereby hampering its effectiveness. Administrative/management of an organization determines the nature of its organizational setting. This is a term that refers to the organizational profile, internal organization and budgetary status of the internal audit office; and also, the organizational policies and procedures that guide operation of auditees. It provides the context in which internal audit operates. Thus, organizational setting exert influence on the level of effectiveness that internal audit could achieve (Omimakinde, 2013). Management's commitment to use audit recommendations and its support in strengthening internal audit is vital to audit effectiveness (Sawyer, 1995) [55].

Hence, this study endeavour to evaluate administrative/management control over internal audit functions as well as examine the impact of administrative/management control on internal audit functions.

Internal Audit is a vital part of the corporate structure within an organization and one of the major monitoring mechanisms that have been identified in corporate governance literature (Anderson *et al*., 1993) [3]. The effectiveness or otherwise of internal audit function in an organization is therefore important to the health and sustainability of such organization. Internal audit effectiveness could be evaluated on the basis of auditors' performance and reliability of information produced for scrutiny of external auditors and other users of audit information (Gramling *et al*., 2004) [26]. This study is important because it considers effectiveness of internal audit function in public organizations and how administrative/management function affect this statutory function. This study drives forward the golden goal of internal audit function in bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance process which is important for developing healthy public institutions (OECD, 1996) [48].

2. Literature review

The theoretical basis for this study was based on the underpinning theory of agency and the commander theory as posited by Goldberg (1965). The agency theory posited that a principal controls the actions of the agent by reward if the agent faithfully follows the principal instructions or punish the agent if the agent does not follow the principal's instruction (Jensen and Meckling, 1976 [36]; Watts, 1977).

Bhati (2011) [11] identified friendly environment for internal control/internal audit as a major factor on which their effectiveness is based. The relationship between the management of a public enterprise and that of the internal auditor could be viewed as principal and agent. Thus, organisational setting can exert influence on the level of effectiveness that internal audit could achieve (Omimakinde, 2013). Mulgan (2000) is of the view that there is an obligation that arises within a relationship of responsibility where one person or body is responsible to another for the performance of his particular services.

Agency theory as it applies to government parastatals and agency implies that senior bureaucrats are not solely the agent of the specific government minister or commissioner; they have an independent responsibility for good and effective control or service (Self, 1985).

Internal Audit quality and effectiveness can be evaluated on the basis of their ability to detect and prevent errors and frauds in their organisation (Wallace and Kerutzfeldt, 1991) [67]. In Nigeria, the financial regulation issued by the Federal Government of Nigeria through the office of the Accountant General of the Federation (2000) recognizes the relevance of internal audit in government ministries, parastatals and agencies.

According to FR (2000), Internal Auditors are expected to examine, review, appraise the use of financial resources of the organisation in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with approved recommendations of external oversight bodies (National Assembly) undertake management audits, reviews and surveys to improve the structure of the organisation and its responsiveness to the requirement of programmes and legislative mandates, and monitor the effectiveness of the system of internal control of the organization.

The Institute of Internal Auditors is not recognised by law in Nigeria but there are two other professional accounting bodies that are recognised by law. These are the Institute of Chartered Accountant of Nigeria (ICAN)established by ICAN Act of 1965 and the Association of National Accountants of Nigeria (ANAN)established by ANAN Act of 1993 (Omimakinde, 2013).

The effectiveness of internal audit greatly contributes to the effectiveness of each auditor in particular and the organisation at large (Dittenhofer, 2001). Dittenhofer (2001) observed that if internal audit quality is maintained, it will contribute to the appropriateness of procedures and operations of the auditor, and thereby internal audit contributes to effectiveness of the auditor and the organisation as a whole.

Adams (1994) used agency theory to explain that it is in the interest of management to maintain a strong internal audit department. Implementation of audit recommendations is highly relevant to audit effectiveness (Van Gansberghe, 2005) and the management of an organisation is viewed as the customer receiving internal audit services. As a result, management's commitment to use audit recommendations and its support in strengthening internal audit is vital to audit effectiveness (Sawyer, 1995) [55].

Van Gansberghe (2005) explains that internal audit effectiveness in the public sector should be evaluated by the extent to which it contributes to the demonstration of effective and efficient service delivery, as this drives the demand for improved internal audit services. The study shows that internal auditors in the 21st century need to check and audit everything in their organization and that the internal auditing profession has an integrated structure of knowledge which makes them more effective. This knowledge is derived from professionalism, dynamism, educational advancement, and technology-based auditing (Guma, 2006).

Zakaria *et al*., (2006) [68] appraise that the internal audit function is a component of the corporate governance and it has an important role in monitoring the financial reporting and internal control systems of higher educational institutions. Gramling and Myers (2006) [27] pointed out that internal audit play several important roles in an organization's process of risk management. These include bringing insurances into the risk management process; insurances that risks are correctly evaluated; assessment of the risk management process; and reviewing of the management of the main risks.

3. Methodology

Four public institutions in Nigeria were evaluated for this study. These are federal government institutions located specifically in Lagos and Osun states in South West Nigeria.

Questionnaire was used as a survey tool and research instrument. Survey research design was used for this study. This research strategy was considered necessary because of its ability to view comprehensively and in detail the major questions raised in the study. The questions were structured along a five-point Likert scale. The research instrument was validated by the use of personal interview. The external auditors of these five public institutions were personally interviewed to validate the submissions/claims of their heads of internal audit.

Purposive sampling technique was used to administer one hundred and sixty (160) questionnaires to employees of these organizations which are made up of mainly internal auditors, accountants, administrative and management staff of the five institutions.

Data gathered from the survey exercise were processed and analyzed using Statistical Package for Social Statistics (SPSS). Both descriptive and inferential statistics were employed in the analysis.

The following variables were measured:

1. Internal audit performances were first examined by evaluating the prevalence of frauds in the last ten years at the public institutions, quantity of fraud corrected without management's knowledge and those reported to top management, as well as involvement of management in fraud incidences.

   Next, nature of the internal audit function was examined by performance variables which represent various subjective tests. These tests are:

   Incidence of fraud in the public sector compared against incidence in the private sector of the economy (TOCOM- Test of comparison); Improper keeping of account books (TOCOMP- Test of competence); Unreliability of account books (TORES- Test of responsibility); Auditor's role in fraud (TOCHR- Test of character); Adequacy of audit program (TOEF- Test of efficiency); Planning ahead of audit schedule (TOEF- Test of efficiency); and Documentation of audit evidence (TOEF- Test of efficiency).
2. Administrative/management control over internal audit functions was measured by assessing (using a Likert scale) various variables such as:

   Management's Role in Fraud; Lack of Separate Power; Flouting Establishment's Rules; Limiting Control Mechanism; Sack Threats or Intimidations, and Independence of Auditors.
3. Inferential statistics (correlation and regression analyses) were also conducted to examine the impact of administrative/management control on internal audit functions. These include correlation of internal audit function against management control over audit function assessment variables; correlation of internal audit performance indicator (number of incidence/report of fraud) against management control over audit function assessment variables; and regression of variables significant under the correlation test.

4. Result and discussion

A total of one hundred and sixty questionnaires were administered to the selected respondents. Out of these questionnaires, one hundred and twenty-two (76.25% of total sample) were retrieved while the remaining thirty-eight respondents either did not return the questionnaires or return the questionnaires unattended to. Among the questionnaires returned by the respondent, there were some questions which the respondents omitted; these gaps were treated as missing data under empirical analysis as shown in the result presentation.

4.1 Internal Audit Performance in the Public Institutions

Table 1 below shows response to internal audit performance in relation to fraud detection, prevention and reporting in the last 5 years.

Majority (81.2%) of the respondents indicated that their institutions have experienced between zero to five (0-5) incidences of frauds internally within the last five to ten years. This is an indication of how serious this malady is among public institutions in African countries. 37(30.3%) of respondents indicated that fraud discoveries within the period by internal audit were reported to the management while 79 (64.8%) corrected or prevented the frauds without management's awareness.

36 (29.5%) of respondents strongly agree with the insinuation that frauds occur more in public institutions compared with private sector organizations. This is a test of comparism (TOCOM) between the levels of frauds in the

public and the private sectors. 50 (69%) also agree with the allusion that books of accounts are not properly kept in most public sector organization (Test of competence-TOCOMP) while 37 (31.3%) agree that books of accounts kept in public institutions are unreliable or doesn't reflect the true picture. This is a test of internal auditor's level of responsibility (TORES) as it takes a conscious effort for an auditor to "cook up" account books. It could be observed that management does not always act on internal auditors report even when reported. Out of the 122 respondents to the questionnaire, only 40 responded to the field containing management action on internal audit reports. 20(16.4%) attests to the fact that management did not act on reported cases of frauds while 20(16.4%) indicated a partial action was taken by management to rectify the fraud. 43(35.2%) of the respondent adduced to top management participation or involvement in the

Table 1: Internal Audit Performance in the last 5-10 years

Description	Freq. (%)
Incidence of fraud	
0-5	99(81.2)
Missing data	23(18.9)
Quantity of frauds reported to management by Auditor	
None	62(50.8)
0-5	37(30.3)
Missing data	23(18.9)
No. of fraud corrected without management knowledge	
0-5	79(64.8)
Missing data	43(35.2)
Management action on Auditor's report	
None	20(16.4)
Partial action	20(16.4)
Missing data	82(67.2)
Top management involvement in fraud	
No (Not involved)	20(16.4)
Yes (Involved)	43(35.2)
Missing data	59(48.4)

fraudulent activities. This reveals the culpability of management in such activities and reflects the likelihood of management control influencing internal audit statutory functions.

Table 2 below contains the result of analysis of the general evaluation of internal audit function/ performance. Correlation analysis (Appendix 2) also reveals that both improper keeping of financial records (Pearson corr. = 0.592**) and unreliability of financial records (Pearson corr. = 0.442**) have a positive and significant relational impact on the perception that frauds are more prevalent in public organizations than in the private sector. These results are complemented by the role of internal auditors in fraud incidences at public institutions (Table 2). All (100%) the respondents agrees that corrupt practices cannot be successfully carried out in public institutions without the active or passive connivance and participation of internal auditors. This serves as a test of internal auditor's character (TOCHR).

All (100%) the respondents agree that audit programs in public institutions are adequate. 85 (69.7%) of the respondents agree that internal audit functions in public institutions are properly planned. All (100%) the respondents also agree that documentation of audit evidences is properly carried out in public institutions. All these three assessments are tests of efficiency (TOEF) for internal audit function. When aggregated and averaged, the result shows that 89.9% of responses on TOEF agrees to internal audit efficiency while 10.1% indicate that some of the internal problems being faced in the public sector are as a result of inefficiency on the part of internal auditors in terms of poor documentation of audit evidence, inadequate audit programme and improper scheduling and planning of audit activities.

Table 2: Evaluation of Public Sector Internal Audit Function

Description	Frequency (%)					
	SD	**D**	**U**	**A**	**SA**	**Total Agree**
Auditor's role in fraud				79(64.8)	43(35.2)	122 (100%)
Adequacy of Audit Program				79(64.8)	43(35.2)	122 (100%)
Documentation of Audit Evidence				42(34.4)	80(65.6)	122 (100%)
Planning ahead of Audit Schedule		37(30.3)		85(69.7)		85 (69.7%)
Improper keeping of Account books	14(11.5)	51(41.8)	7(5.7)	34(37.9)	16(31.1)	50 (69%)
Unreliability of Account books	15(12.7)	45(38.1)	21(17.8)	30(25.4)	7(5.9)	37 (31.3%)
Incidence of Fraud (Public vs. Private)	3(2.5)	23(18.9)	60(49.2)		36(29.5)	36 (29.5%)

SD-Strongly Disagree, D-Disagree, U-Undecided, A-Agree, SA-Strongly Agree

4.2 Evaluation of Administrative/Management Control over Internal Audit Function

Table 3 below contains the view of respondents on the direct impact of the nature of administration/management in public institutions on internal audit operations.

From the result, it is clear that top management deliberately institute certain procedures or rules that directly or indirectly limit the extent of internal audit activities. This observation ranked first (2.99mean score; Table 3) with 89.4% of respondents agreeing this is true. This is followed by lack of separate power for the internal auditor (mean score = 2.5, Table 3) with 61.5% agreeing. In all cases internal audit are technically placed as subordinate to Head of Accounts and Administration even though the organization structure of all these organizations shows that Head of Internal Audit should report directly to the chief executive. Internal Audit is also regarded as a unit with limiting career path which is not applicable to the Heads of Accounts which are usually principal officers of their organizations. Ranking third in importance (2.17 mean score with 45.1% agreeing) among ways by which management of public institutions control internal audit function is the frequent overriding of establishment rules by top management because they have executive powers. This observation ranked third (2.17mean score; Table 3) with 45.1% of respondents agreeing this is true.

There are also sack threats or intimidation of internal auditors with non-promotion though not in all situation

(1.72mean score with 67.2% agreeing). It is also obvious that the concept of independence that is necessary for integrity and objectivity in internal audit activities is not very pronounced (1.71mean score with 64.8% agreeing). The Head of Accounts and Administration are usually part of the panels that sit on any internal auditor's promotion. It is also obvious that since fraudulent activities are perpetuated often by management personnel (see Table 1), they are going to do everything possible to suppress or circumvent the internal audit function (1.47mean score with 56.6% agreeing).

The perception that frauds were more prevalent in public organizations was correlated against impact of Administration/Management Control over Internal Audit function (Appendix 2). Results show some of the variables are significantly correlated with perception of frauds. These contain all the variables mentioned in table 3 as well as eleven other variables of Administration/Management Control over Internal Audit function.

Table 3: Influence of Administration/Management on Internal Audit Function

	SD (%)	D (%)	U (%)	A (%)	SA (%)	Mean score
Limiting Control Mechanism	2(1.6)	24(19.7)	7(5.7)	46(37.7)	36(29.5)	2.99
Lack of Separate Power	5(4.1)	30(24.6)	12(9.8)	40(32.8)	35(28.7)	2.5
Management Flouting of Establishment's Rules	5(4.1)	2(1.6)	6(4.9)	64(52.5)	45(36.9)	2.17
Sack Threats	6(4.9)	24(19.7)	13(10.7)	51(41.8)	28(23.0)	1.72
Independence of Auditors	3(2.5)	46(37.7)	4(3.3)	44(36.1)	25(20.5)	1.71
Management's Role in Fraud	15(12.3)	42(34.4)	10(8.2)	42(34.4)	13(10.7)	1.47

SD-Strongly Disagree (0), D-Disagree (1), U-Undecided (0), A-Agree (2), SA-Strongly Agree (3)

4.3 Impact of Administrative/Management Control on Internal Audit Function

Correlation and regression analyses (see Appendix 1 & 3) were carried out in order to establish the relationship between the performance of internal auditors (represented by quantity of frauds detected and effectively managed by internal auditors) and administration/management control (represented by the variables in table 4). The performance indicator (i.e., quantity/ number of frauds reported in the last 5 to 10 years) is denoted as dependent variable Y which was expected to be influenced by the various management control indices. The formulae of the model are regarded as:

$$Y= C+BX_1+BX_2+BX_3+BX_4+BX_5+ \ldots\ldots BX_{11}+E.$$

The letter C stands for the model's constant and E denotes standard error. B stands for Beta Values of the regression analysis. The predictors or independent variables are denoted as X_1, X_2,…X_{11}.

The result of the analyses (Table 4 & Appendix 1) shows that management control policies that hinders auditors from fraud detection do have a significant impact on internal audit function (Pearson corr. = -0.324^{**}) and the possibility of top management overriding or by-passing established control/rules do have significant effect on performance of the auditors (Pearson corr. = -0.340^{**}). Managements do limit the extent of internal auditors work or

Table 4: Administrative Control interaction with Internal Audit Performance

Model	Correlation	Regression	
		Beta unstandardised coefficient	Model summary
Quantity of frauds reported vs. Management control policies prevent Auditors from detecting fraud	-0.324^{**}	-0.048	R^2=0.284 ANOVA< 0.05
Quantity of frauds reported vs. Management control are often by passed by top Management	-0.340^{**}	-0.403	
Quantity of frauds reported vs. Management limit Auditors activities in the Public Sector	-0.213^{*}	-0.127	
Quantity of frauds reported vs. Management decision to subordinate Auditors under Head of Account/Admin.	-0.389^{**}	-0.275	

**- Correlation is significant at the 0.01 level (2-tailed), *- Correlation is significant at the 0.05 level (2-tailed)

activities and this significantly influence internal audit (Pearson corr. = -0.213^{*}). The decision of management to subordinate the head of internal audit under the head of administration and accounts also has a very significant influence on performance of internal audit (Pearson corr. = -0.389^{**}).

The fact that these correlation results carry negative signs is to show the direction of the influence of the variables on the dependent variable (Quantity of frauds reported). It means that the more these elements of administration/management control exist, the lesser the amount of frauds that will be reported or the lesser the effective performance of internal audit function in public institutions in Nigeria.

From the regression analysis (Table 4 and Appendix 3) carried out to determine the contribution of the four significant predictors to the performance of internal auditors (Y), the model equation is:

$$Y =4.755 + (- 0.048) X_1 + (-0.403)X_2 + (-0.127)X_3 + (-0.275)X_4+ 0.596$$

Where X_1stands for management control policies prevent auditors from detecting fraud; X_2stands for management control/rules are often by passed by top management; X_3stands for management limit auditor's activities in the public sector; X_4stands for management decision to subordinate auditors under head of account/administration.

The result shows that for every increase in X_1, Y decreases by 0.048; for every increase in X_2, Y decreases by 0.403; for every increase in X_3, Y decreases by 0.127; andfor every increase in X_4, Y decreases by 0.275.

This is conclusive evidence of the harmful nature of the effect of administrative/management control over internal audit function in public institutions in Nigeria. The more we have these practices by the administration/management of public institutions, the lesser the effective performance that would be recorded by internal auditors.

Where management felt that internal audit function is very relevant to good corporate governance and performance and therefore give the necessary support to them and placing them in appropriate place in the organization structure together with equivalent career path with those in the administrative and account department and also equip them with adequate human and material resources, they tend to be very committed to their service, efficient and effective. On the other hand, where management do not give internal audit function sufficient encouragement and support in term of favourably career path adequate training and in other areas as specified above, they tend to be uncommitted, inefficient and ineffective.

5. Recommendation

The chief executives of government institutions should note the following three factors that contribute to independence and objectivity of the internal audit function and seek to promote it. These factors are the organizational positioning of the internal audit function, the corporate structure of the chief internal auditor and the reporting relationship of the chief internal auditor to the chief executive or the Board.

Management should be committed to acting on audit findings and implementing recommendations which are in the best interest of the organization and the public as a whole. To maintain a strong internal audit department, implementation of audit recommendations is highly relevant to audit effectiveness and the management of these organizations should view themselves as the customer receiving internal audit services. As a result, management's commitment to use audit recommendations and its support in strengthening internal audit is vital to audit effectiveness.

The chief Executives of government institutions should ensure that their internal auditors are free to perform their functions in an objective manner without interference and able to report findings to the appropriate parties for corrective action. The head of internal audit should always be in the position of high status within the organization and should have direct or unrestricted access to the CEO and the board.

6. Appendices

Appendix 1: Correlations of Internal Audit Performance against Administrative/Management Control

	1	2	3	4	5	6	7	8	9	10	11	12
Quantity of frauds officially reported by Auditor in the last 5-10 years	1.000											
Management should be blame for Fraud	.	1.000										
The Accountant and Internal Audit should be blame for fraud	.121	-.057	1.000									
That Management control policies prevent Auditors from detecting fraud	-.324**	.040	-.050	1.000								
Management control are often by passed by top Management	-.340**	-.223	-.153	.220*	1.000							
Management Limit Auditors activities in Public Sectors	-.213*	-.284*	-.050	.209*	.525**	1.000						
The fear of Chief Executive prevents auditors from reporting fraud	.082	-.409**	.265**	.279**	.365**	.414**	1.000					
Auditors has no protection from been sacked	.103	-.138	-.026	.252**	.103	.360**	.145	1.000				
Auditors are independent of management control	-.106	-.280*	.119	.224*	.231*	.085	.281**	.154	1.000			
Auditors are not Adequately trained	.	.	.	.	.	.	.	.	.	.		
Auditors Appointment are based on top Management connections	-.021	.415**	.147	.197*	-.323**	-.189*	-.180*	.018	-.179	.	1.000	
Management decision of Subordinating Auditors under Head of Account/Admin	-.389**	.205	-.127	.225*	.065	-.085	-.143	.148	.198*	.	-.213*	1.000

**. Correlation is significant at the 0.01 level (2-tailed).*. Correlation is significant at the 0.05 level (2-tailed).

Appendix 2: Correlation of Prevalence of Frauds in the Public Sector against Administrative/Management Control& Internal Audit Function

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
The Fact that Fraud is more Prevalent in Public Organisations	1.000																	
Public Sectors do not keep Proper Record	.592**	1.000																
In some Public Organisations Books of Account are Cooked and Unreliable	.442**	.367**	1.000															
Management should be blame for Public Sectors Frauds	.277**	.066	.213*	1.000														
Inadequate Auditprogrammeis a cause of inefficiency	.037	.021	-.090	.013	1.000													
Inadequate Planning Affects Internal Audits	.015	-.171	-.065	.143	.487**	1.000												
Lack of proper documentation; characteristics of Audits	.023	.187*	-.028	-.125	.535**	-.478**	1.000											
Management should be blame for Fraud	-.163	.287*	-.186	-.023	1.000**	.	1.000**	1.000										
The Accountant and Internal Audit should be blame for fraud	.048	.203*	.139	-.125	-.007	-.075	.066	-.057	1.000									

That Management control policies prevent Auditors from detecting fraud	.153	-.059	-.088	.148	.382**	.381**	.015	.040	-.050	1.000								
Management control are often by passed by top Management	-.016	-.185*	.261**	.311**	-.058	.237**	-.288**	-.223	-.153	.220*	1.000							
Management Limit Auditors activities in Public Sectors	.208*	-.104	.377**	.288**	-.059	.153	-.198*	-.284*	-.050	.209*	.525**	1.000						
The fear of Chief Executive prevents auditors from reporting fraud	.155	-.012	.211*	.042	-.055	-.050	-.007	-.409**	.265**	.279**	.365**	.414**	1.000					
Auditors has no protection from been sacked	.270**	.090	-.038	.046	-.043	-.133	.086	-.138	-.026	.252**	.103	.360**	.145	1.000				
Auditors are independent of management control	.330**	-.153	-.021	.229*	-.081	.038	-.116	-.280*	.119	.224*	.231*	.085	.281**	.154	1.000			
Auditors are not Adequately trained	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
Auditors Appointment are based on top Management connections	.217*	.273**	.058	.100	.390**	.227*	.173	.415**	.147	.197*	-.323**	-.189*	-.180*	.018	-.179	.	1.000	
Management decision of Auditors Subordinate Head of Account/Admin	-.018	-.173	-.128	-.057	.368**	.292**	.088	.205	-.127	.225*	.065	-.085	-.143	.148	.198*	.	-.213*	1.000

**. Correlation is significant at the 0.01 level (2-tailed).*. Correlation is significant at the 0.05 level (2-tailed).

Appendix 3: Regression Analysis

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.755	.596		7.975	.000		
	That Management control policies prevent Auditors from detecting fraud	-.048	.077	-.063	-.626	.533	.823	1.215
	Management control are often by passed by top Management	-.403	.136	-.291	-2.964	.004	.855	1.170
	Management Limit Auditors activities in Public Sectors	-.127	.085	-.145	-1.489	.140	.868	1.152
	Management decision to Subordinate Auditors under Head of Account/Admin	-.275	.073	-.363	-3.766	.000	.886	1.129
a. Dependent Variable: Quantity of frauds officially reported by Auditors								

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.533[a]	.284	.251	.816	.284	8.626	4	87	.000

Analysis of Variance (ANOVA)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	22.964	4	5.741	8.626	.000[a]
	Residual	57.905	87	.666		
	Total	80.870	91			

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