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Internal Audit and Strategy Implementation: A Must for Business Survival in Nigeria

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Abstract:

This research exhibits the role of the internal auditor as a policy (decision) maker in companies; thereby, ascertaining the existing association between internal auditing and strategy implementation practice in business organizations in Nigeria. In sourcing for data, questionnaire and personal interviews were used while data were analyzed using the simple percentage and frequency distribution methods. We found that the internal audit unit (department) of a business organization, keeps proper account, safeguard of assets and control of liabilities positively by checking all cases of payment before they are made; and that, internal audit plays an indispensable role in actualizing business process because the internal audit report provides the required information for strategy implementation which helps organizations to do better. We conclude that, management of business organizations in Nigeria should embrace internal auditing and strategy implementation practice in order to survive in business.

Keywords: Internal audit, strategy implementation, business survival, asset safeguard and control

1. Introduction

Modern day audit practice is so complex due to its professional task. As a result of its detailed nature, it carries heavy responsibilities and calls for measurable standard of talent in order to make decisions. Annexed to this complexity of the art of auditing practice, is the prevailing need for strategy implementation which transverses a wide range of functions and activities such as establishing cost control procedures in order to maximize profit, setting operation schedules as to generate revenue, designing training programs for functional leaders or altering the firm's information system, etc. (Digman, 1996). Digman maintained that, strategy implementation involves a vast base of activities such as; perception, talent, stance and dexterity, etc. The implementation process exercises the strategist capacity in allocating resources to functional units, plans structures and expresses functional policy which considers leadership styles necessary in planning functional operations in order to make profit and generate revenue for the business organization. Howbeit, a plausible way of ascertaining the foregoing is by putting in place an effective internal audit unit in business organizations. Thus, such necessity for auditing practice as mentioned in this study; viewed internal audit from the perspective of public and private sector organization.

More so, Millichamp (2002) defined internal audit as: 'An independent appraisal function established by the management of an organization for the review of the internal control system as a service to the organization. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources' (p.349). This explains why management of business organizations devote resources to the provision of auditing in order to put in place; a proper annual financial report of the organizations through the presentation of information contained therein. From the foregoing, this is a responsibility that cannot be adequately exercised without internal audit (Mautz, 1972) in Ukpai, Kellyyi and Hamilton (2006).

Strategy implementation may be seen as the process of determining the effectiveness and efficiency of a given organizational policy in achieving set goals and objectives by putting in place appropriate actions as required. However, the characteristics of internal auditing and strategy implementation vary from one business organization to another (Jerome, 1995). He maintained that, a general characteristic of internal auditing and strategy implementation unit in any business organization is concerned with the proper recording, classifying, analyzing, controlling and reporting of information to the management and advising the management on the system currently in operations in the business. With regard to the foregoing, this study exhibits the role of the internal auditor as a policy (decision) maker in companies

and/or organizations. That is, the necessity for such role and why more companies, public institutions and private establishment should devote their resources towards the provision of internal audit and strategy implementation unit in their various organizations in Nigeria vis-à-vis in spite of their ill feelings towards the unit (department). The following research question guided the conduct of this research:

- How effective is internal audit and strategy implementation unit (department) in an organization?
- How relevant is the internal audit report in providing the required information in an organization?
- How does the effectiveness of internal audit and strategy implementation practice affect business performance?

2. Literature Review

2.1. Theoretical Review/Foundation

Pfeffer (1982) in Ibama (2016) noted, every emerging thought in social philosophy is vested upon some fundamental theories, the understanding which encompasses their analysis, categorization and easier understanding. With respect to these facts, the theoretical sale which relates internal auditing and strategy implementation practice in business organizations in their operating circle could be to such baseline social/organizational theories such as: theory of inspired confidence.

2.2. Theory of Inspired Confidence

This theory was created in 1932 by teacher Theodore Limperg in (Owolabi, Olotu and Owolabi, 2013). This theory addresses both the need and supply of audit solutions. Limperg maintained that, the need for audit solution is the straight repercussions of the involvement of outdoor stakeholders in the business. The stakeholders require liability from the management in return for their financial or monetary investment in the organization. This responsibility is recognized via the issuance of routine monetary records. Nevertheless, the theoretical premise which relates internal auditing and strategy implementation practice to the theory of inspired confidence is that these information or details given by management regarding the business activities might be prejudiced and outdoor events have no straight ways of surveillance. With regard to these facts, an audit is needed to ensure the reliability of the information contained therein for appropriate policy (decision) making. Thus, the auditor needs to continually aim to fulfill public and private assumption.

2.3. Conceptual Review

This research conceptual review is discussed under the following headings.

- The need for audit and strategy implementation practice.
- Position of Audit in Business Organizations.

2.3.1. The Need for Audit and Strategy Implementation Practice

Since the operation of modern-day business is full of complexity, the management of business organizations has the problem of maintaining control over the company activities especially in measuring the implementation (action) process that leads to performance. These action processes which entails the implementation of business activities can only be actualized in the area of auditing as a result of its specialized functions (Ibama, 2016). The specialized functions of auditing and strategy implementation makes it difficult for managers to exercise individual (personal) control over the activities of the business organizations because it encompasses policy (decision) making process which is attained at the internal audit and strategy implementation units (department); with the help of a specialist who is efficient, effective and capable of handling these activities. Thus, this specialist may be sometimes called an internal auditor, senior internal auditor and chief internal auditor, etc.

2.3.2. Position of Audit in Business Organizations

To the auditor, he is a practiced accountant but does not involve in much accounting activities in the course of his job. This attribute enables him to have some elements of objectivity in the auditing of the company's accounting system. The internal auditor is not a fault finder but just a 'watch-dog' as well as a controller of business activities because he is a management representative and assist in strengthening the system of managerial control in all areas of the organization's business (Woolf, 2003). The auditor being a management representative is interested in ascertaining whether each unit (department) of the organization have a clear understanding of its assignment and maintains good records, protect cash, inventories of the business and other assets being properly kept; thereby, carrying out effectively its functions as planned in the overall interest of the organizations (Ibama, 2016).

2.4. Empirical Review

This section of the review of related literature examines other relevant studies as it directly or indirectly relates to internal auditing and strategy implementation practice as a determining factor for every business survival. An aspect of a study which entails 'The Role of Internal Auditors in Public Sector Administration in Nigeria' was conducted by Nwanyawu (2002). The study revealed that, the enormous resources entrusted in the 'public sector' requires control to ensure achievement of objectives of providing infrastructural facilities essential for economic growth and development. Therefore, the internal auditors under this scenario are the 'watch dog' of the citizen in public sector administration and governance.

In view of the above, the work of Nwanyawu (2002) is different from this research because this research displays a splendid nature of the importance of internal auditing and strategy implementation practice as an encompassing tool for policy (decision) making and business survival; considering both the public and private sector organizations in Nigeria.

3. Methodology

In carrying out this study, 100 structured questionnaires were designed and administered to the staff of the internal audit and strategy implementation units of some public and private sector business organizations in Nigeria. These business organizations are in different operational fields. Out of the 100-questionnaire distributed, 97 were returned and used for data analysis. The descriptive statistical tools of frequency distribution, average and percentage were used for data analysis.

4. Data Analysis and Results

4.1. Effectiveness of Internal Audit and Strategy Implementation Unit (Department)

This section examines the usefulness of internal check in business organizations with respect to internal auditing and strategy implementation practice. That is, if the units (department) keep proper account and check payments. In making this assessment, question in our questionnaire were used. The results are presented in table 1 and 2.

Question	Option	Frequency	Percentage
Internal audit unit in my organization keeps proper account, safeguard of assets and control of liabilities positively?	Strongly Agree	63	64.9
	Agree	30	30.9
	Unsure	4	4.1
	Disagree		
	Strongly Disagree		
Total		97	100

Table 1: Keeping of Proper Account
Source: Survey Data, 2020

From the results obtained in table 1, 63 persons representing (64.9percent) and 30 persons representing (30.9percent) said 'strongly agree' and 'agree' respectively. The 4(4.1percent) responses were unsure of the question asked. From the analysis, since 63(64.9percent) and 30(30.9percent) responses said 'strongly agree' and 'agree', it is obvious that the internal audit unit in business organizations in Nigeria keeps proper account, safeguard of assets and controls liabilities positively. Thus, internal auditing and strategy implementation practice is a must for business survival in Nigeria.

Question	Option	Frequency	Percentage
Internal audit unit in my business organization check all cases of payment before they are made?	Strongly Agree	20	20.6
	Agree	70	72.1
	Unsure	1	1.0
	Disagree	6	6.2
	Strongly Disagree		
Total		97	100

Table 2: Checking of Payments
Source: Survey Data, 2020

As seen in table 2, 70 persons representing (72.1percent) and 20 persons representing (20.6percent) said 'Agree' and 'Strongly Agree' respectively that, the internal audit unit (department) in their business organization check all cases of payment before they are made. 1(1.0percent) responses was unsure but 6 persons representing (6.2percent) responses disagree to the question asked. The 6 persons who made up (6.2percent) responses in table 2, further stressed on the fact that proper check is not carried out in some cases before payments are made; and this is pertinent with those that concern the senior staff or top management. Payments could merely be passed and made without proper check as in other cases where receipts for payments, medical bills including prescription paper will be requested from the junior staff before payment will be approved. This shows a minute objection; hence it is concluded that internal audit unit (department) in these business organization check all cases of payment before they are made because the unit functions as a control tool for every business survival.

4.2. Relevance of Internal Audit Report

This section examines how relevant is the internal audit report in providing the required information of a business. Question in our structured questionnaire were used in making this assessment. The results are presented in table 3 and 4

Question	Option	Frequency	Percentage
Internal audit plays an indispensable role in actualizing business process in my organization?	Strongly Agree	73	75.2
	Agree	22	22.7
	Unsure	2	2.1
	Disagree		
	Strongly Disagree		
Total		97	100

Table 3: Actualization of Business Process

Source: Survey Data, 2020

Table 3 shows that (75.2percent) and (22.7percent) of the respondents said 'strongly agree' and 'agree' to the view that internal audit plays an indispensable role in actualizing business process in their organization, while (2.1percent) of the respondents were unsure. Why does internal audit play such indispensable role? It does because internal audit provides the required information on a timely basis. Apparently, most of our respondents (70.0percent) strongly agree and believe that internal audit report provides the required information for strategy implementation (see table 4). Our analysis shows that the relevance of internal audit report affects and increases the actualization of business because management of business organization make use of audit reports to determine the accuracy of business actualization. Without internal audit, management may not know how well they may have actualized the business process. Therefore, internal audit report regarding information is relevant for business survival in Nigeria.

Question	Option	Frequency	Percentage
Internal audit report provides the required information for strategy implementation in my organization?	Strongly Agree	68	70.0
	Agree	26	26.8
	Unsure	3	3.1
	Disagree		
	Strongly Disagree		
Total		97	100

Table 4: Internal Audit Reports Give Required Information

Source: Survey Data, 2020

4.3. Effectiveness of Internal Auditing and Strategy Implementation Practice with Respect to Business Performance

This section examines how effective internal audit and strategy implementation practice leads to business performance. In making this assessment, question in our questionnaire were used. The results are presented in table 5 and 6.

Question	Option	Frequency	Percentage
Internal audit unit (department) in my business organization helps to monitor and allocate resources to functional units?	Strongly Agree	97	100
	Agree		
	Unsure		
	Disagree		
	Strongly Disagree		
Total		97	100

Table 5: Monitoring and Allocation of Resources

Source: Survey Data, 2020

From table 5, all the respondents 97 (100percent) responses said 'strongly agree' to the view that, internal audit unit (department) in their business organization helps to monitor and allocate resources to other functional units. In view of these facts, it is obvious that internal audit and internal check is a sub-set of internal control which is the whole system of control, financial or otherwise. Seemingly, the profit maximized by the internal audit unit (department) helps the respondent's business organizations to do better and survive (see table 6); as 81 (83.4percent) responses and 15(15.5percent) responses said 'strongly agree' and 'agree' respectively to the question asked. It is only 1 person representing (1.0percent) responses that was unsure. Howbeit, our analysis shows that internal auditing and strategy implementation practice is a tool for every business survival in Nigeria.

Question	Option	Frequency	Percentage
The profit maximized by the internal audit unit (department) helps my business organization to do better and survive?	Strongly Agree	81	83.4
	Agree	15	15.5
	Unsure	1	1.0
	Disagree		
	Strongly Disagree		
Total		97	100

Table 6: Survival of Business Organization

Source: Survey Data, 2020

5. Discussion of Findings

As Jerome (1995) noted, a general characteristic of internal auditing and strategy implementation unit (department) in any business organization is concerned with the proper recording, classifying, analyzing, controlling and reporting of information to management and advising the management on the system currently in operations in the business.

Our result confirms this observation. Our results show among other things that:

- 64.9 percent of our respondents are of the opinion that, the internal audit unit (department) of a business organization keeps proper account, safeguard of assets and control of liabilities positively.
- 72.1 percent of our respondents believe that, the internal audit unit (department) of a business organization checks all cases of payment before they are made.
- 75.2 percent of our respondents think that internal audit plays an indispensable role in actualizing business process in an organization.
- 70.0 percent of our respondents are in support that, the internal audit report provides the required information for strategy implementation in an organization.
- 100 percent of our respondents are of the opinion that, the internal audit unit (department) of a business organization helps in monitoring and allocating resources to other functional units.
- 83.4 percent of our respondents think that, the profit maximized by the internal audit unit (department) helps business organizations to do better and survive.

The overwhelming positive response on the empirical reality of internal auditing and strategy implementation practice which is seen as an instrument (tool) to effective business control supports Ibama (2016) argument that, these actions processes which entails the implementation of business activities can only be actualized in the area of auditing as a result of its specialized functions. He added, the specialized function of auditing and strategy implementation makes it difficult for managers to exercise individual (personal) control over the activities of the business organizations because it encompasses policy (decision) making process which is attained at the internal audit and strategy implementation units (department).

6. Conclusion

We conclude this research work by determining that internal auditing and strategy implementation practice is a must for business survival in Nigeria because the unit (department) keeps proper account, safeguard of assets and control liabilities positively. Therefore, management of business organizations in Nigeria should embrace internal auditing and strategy implementation practice in order to survive in business.

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