Effect of internal audit practices on public expenditure management in Rivers State, Nigeria

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Abstract

This study empirically analysed the effect of internal audit practices on public expenditure management in Rivers State with a view to establish whether such internal audit practices produce any meaningful results in improving the overall management objectives of the tertiary institutions. The study population consisted of 6812 staff from four tertiary institutions in Rivers State. The research was conducted using both qualitative and quantitative approaches. Sample size of the study was 378. A questionnaire containing structured questions was used to collect data from four tertiary institutions in Rivers State. Actually, 297 copies of questionnaire were retrieved from the respondents. However, after going through them, 266 copies of questionnaire (representing 70.37%) were found useful for the study analysis. Descriptive and inferential statistics were used to analyze the data for this study. Regression analysis was used to test the hypotheses formulated in this study. The study revealed that: There is significant relationship between risk assessment and planning in tertiary institutions; there is significant relationship between monitoring and planning in tertiary institutions; there is significant relationship between information & communication and planning in tertiary institutions; there is no significant relationship between controlling activities and planning in tertiary institutions; there is significant relationship between risk assessment and organising in tertiary institutions; there is significant relationship between monitoring and organising in tertiary institutions; there is significant relationship between information & communication and organising in tertiary institutions and there is no significant relationship between controlling activities and organising in tertiary institutions. The study recommends that for tertiary institutions to have a wide spectrum of strategies for effective internal audit practice, they should place some measures to encourage all-inclusive participation of their staff in controlling activities within the educational environment. Additionally, the study recommends that the tertiary institutions' management should embrace controlling activities with professionally driven staff who are very vast in forensic accounting rudiments.

Keywords: Internal audit practice, Risk assessment, Control Activities, Information,

Communication, Monitoring, Planning and Organising

Introduction

Internal audit practice is an important issue in accounting and finance. It is fundamental aspect of management stewardship responsibility to provide interested parties with reasonable assurance that their organisation is effectively controlled and that the information they receive are accurate and dependable. Developing a strong system of internal audit practice systems provides this assurance. The heightened interest in internal controls is, in part, as a result of significant losses incurred by several organizations. Muhibat (2016) explained that, an analysis of the problems related to losses indicated that they could probably have been avoided had the organizations maintained effective internal audit practice systems. Such systems would have prevented or enabled earlier detection of problems that led to losses in the banking industry, thereby limiting damage to the organization. This same idea is restated, that, poor standards of corporate governance had led to insufficient controls being in place to prevent wrong doing in the United States in the 1990s, as demonstrated by the collapse of Enron and WorldCom.

Understanding the concept of internal audit practice is important for developing an understanding of its impact on management in an organization (Jubb, 2008, Ewa & Uduuayang, 2012 & Sanusi and Mustapha, 2016). The entire internal audit practice system of an organization is strictly interrelated to structures that management use to oversee the activities of the organization; the organization's corporate governance. As a result of effective and efficient internal audit practice systems, on organizations attains good corporate governance which provides proper incentives for the management to pursue and realize the objectives of the organization. Internal controls are essential to corporate success and survival because they provide reasonable assurance on the achievement of objective in a number of categories including: effectiveness and efficiency of operations; reliability in financial reporting; and compliance with applicable laws and regulations (Chambers, 2009 & Muhibat, 2016).

Internal audit practice is one of many mechanisms used in business to address the agency problem. Others include financial reporting, budgeting, audit committees, and external audits (Sanger, 2013). Their Studies have shown that internal audit practice reduces agency costs with some even arguing that firms have an economic incentive to report on internal control, even without the requirements of SOX. Their argument assumes that providing this additional information to the principal (shareholder) about the behavior of the agent (management) reduces information asymmetry and lowers investor risk and, therefore, the cost of equity capital. Other research has found that weaknesses in internal controls are associated with increased levels of earnings management Amudo. (2009). Earnings management is the agency problem that motivated SOX legislation in the first place, specifically earnings manipulation by Enron, WorldCom. Internal controls have played a major role in moderating the agency problem in corporations for many years. Accordingly, Muhibat (2016) document several internal audit practice procedures used by the Baltimore and Ohio Railroad as early as 1831.

According to Ngugi (2011) Internal audit practice System refers to an organized amalgamation of functions and procedures, within a complete system of controls established by the management and whose purpose is the successful function of the business. Internal audit practice System is all the methods and procedures followed by the management in order to ensure, to a great extent, as much successful cooperation as possible with the director of the company, the insurance of the capital, the prevention and the detection of fraud, as well as the early preparation of all the useful financial information, Internal audit practice System resembles the human nervous system which is spread throughout the business carrying orders and reactions to and from the management. It is directly linked to the organizational structure and the general rules of the business.

Whittington (2001) has defined that a system of internal audit practice extends beyond those matters which relate directly to the functions of accounting and the financial statements. In addition, he notes that internal audit practice is a systematic procedure which will lead to evaluate the degree of correlation between those established criteria and the real results of the business. There have been incessant cases and stories been told about high frequency of fraud, embezzlement, overcharging, manipulation, missing files and ledger cards and other financial collection linkages in Nigerian institutions, with the management and government not knowing how to handle the adverse situation. Organizations continue to experience low levels of effective and efficient management most of which are man-made and therefore avoidable. Despite the numerous rules and regulations, the varying levels in effective and efficient management occur across all entities in the government and private sectors. No matter how well it is designed and operated, a internal audit practice system can only provide a reasonable, not absolute assurance that the objectives of the company's internal audit practice system are met in terms of effective and efficient management. There is a gap in the internal audit practice studies that only one or two variable(s) are used. This study incorporates all the four identified basic internal audit practice variables. In addition, most of the studies are institutional/organizational based with specific interest in tertiary institutions in Rivers State. The study adopted part of the classification of internal audit practice espoused by Chenhall and Moers (2015); Bourmistrov and Kaarbøe (2013) and Henttu-Aho and Järvinen (2013). The imperative of the usage of these elements as dimensions of internal audit practice has become obvious as could be seen from the conceptual framework of the study in figure 1.

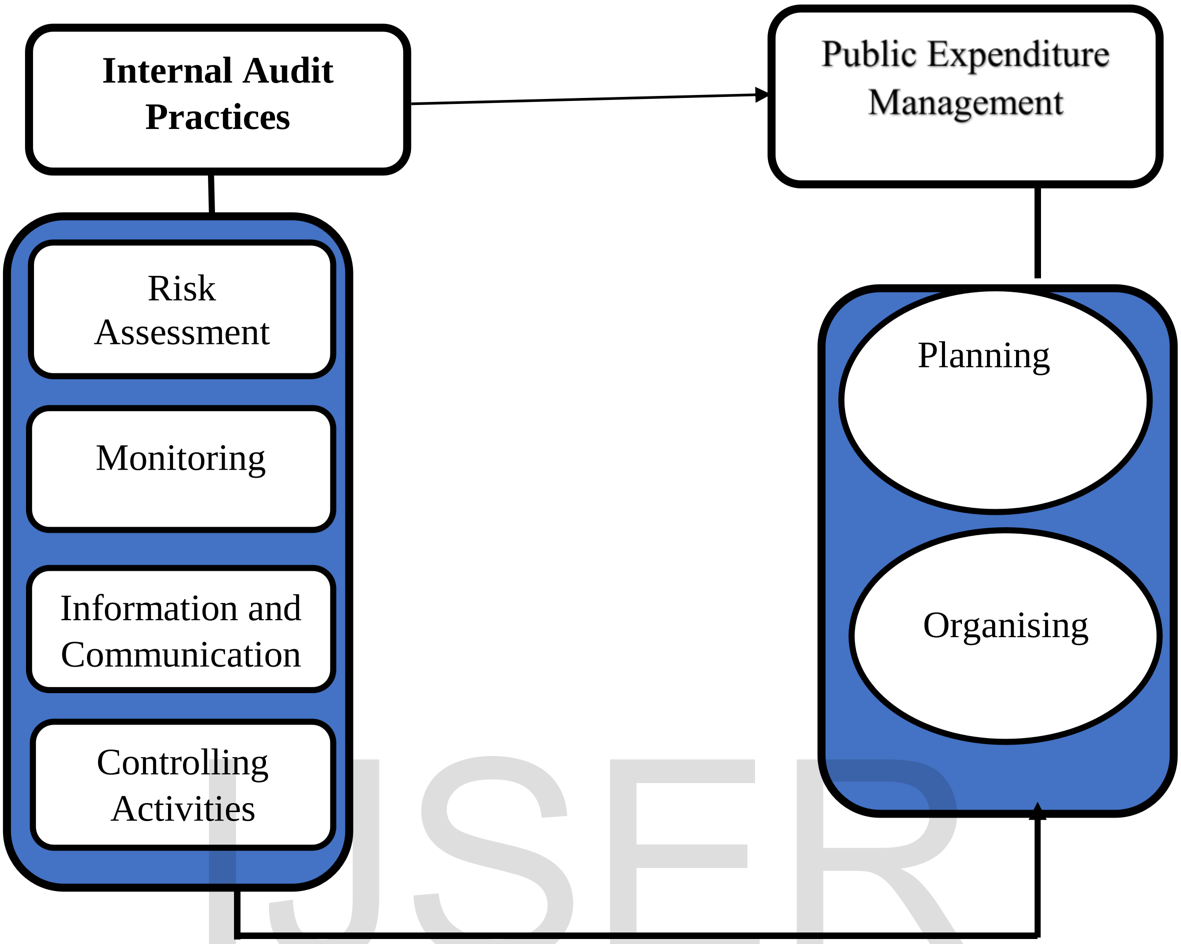

Figure 1: Conceptual Framework of the effect of internal audit practices on public expenditure management in Rivers State

Source: Desk Research (2020).

Research Hypotheses

This research investigated the effect of new media use on proficiency among communication educators in South-South Universities. Accordingly, the following hypotheses relating to the purpose and problems of the study were formulated and investigated:

Ho_1: There is no significant relationship between risk assessment and planning in tertiary institutions

Ho_2: There is no significant relationship between monitoring and planning in tertiary institutions

Ho_3: There is no significant relationship between information & communication and planning in tertiary institutions.

Ho_4: There is no significant relationship between controlling activities and planning in tertiary institutions.

Ho_5: There is no significant relationship between risk assessment and organising in tertiary institutions.
Ho_6: There is no significant relationship between monitoring and organising in tertiary institutions.
Ho_7: There is no significant relationship between information & communication and organising in tertiary institutions.
Ho_8: There is no significant relationship between controlling activities and organising in tertiary institutions.

LITERATURE REVIEW

Concept of Internal audit practice

In the broader context of management controls and management control systems (MCS), controls are manifest in many aspects. In the context of budgeting, controls have a narrower definition. Budget control is the process of comparing budgeted plans and standards to actual financial results, analyzing variances, and taking corrective action (Bedford, 2015; Umapathy, 1987). A background and discussion of both views of controls follow. Control, as broadly defined in Simons' (1994) seminal work, involves the rules, operating procedures, and routines that guide an activity (Chenhall, 2003). Based on a longitudinal study of top managers in their first 18 months, Simons identified four categories of control systems: belief, boundary, diagnostic, and interactive. Simons found that in all cases, control systems were significant tools leaders used to implement a new strategy. Managers used control systems to formalize beliefs, establish strategic boundaries, define and measure crucial variables of performance, and facilitate dialogue about strategic uncertainty. These managers also used control systems to set goals for strategy implementation and to communicate and maintain focus on new strategic initiatives. However, Simons provided little detail of specific controls and few examples of control tools, including budgets. This lack of detail on controls and their measurement was a common feature in the majority of the literature on controls. For example, Lee and Cobia (2013) studied 4,858 small and medium enterprises in the United Kingdom to evaluate perceived barriers to growth. In their case study, Lee and Cobia described how a small but growing company improved decision-making by adopting management accounting practices as part of a management control system. Two primary management accounting aspects discussed were planning and control, albeit with little detail. Similarly, in a longitudinal case study, Zhong (2014) found that financial controls were important for the success of small businesses. However, Zhong did not measure or describe the controls in detail. Likewise, in a literature review of quantitative management accounting studies, Shields (2015) found that planning and control are common elements of MCS. However, the article did not include measurements of controls or how organizations implement specific controls. Similarly, the case studies by Bourmistrov and Kaarbøe (2013) and Henttu-Aho and Järvinen (2013) involved the control function of budgets, but neither included a detailed description or measurement of controls.

The lack of specificity of how leaders use budgets for control is evident in other literature as well. For instance, Bedford (2015) studied the effect of MCS on firm performance using Simons' (1994) levers of control. Bedford used cluster and regression analyses of the survey results of 400 firms to examine how firms implemented diagnostic and interactive controls through budgets and performance management systems. However, like Simons, Bedford did not examine how managers used budgets for control. This is also the case in other literature involving budgets as a form of control (Kruis, Speklé, & Widener, 2016). Li et al. (2013) identified budgets as a major type of control, and that the types and intensity of controls evolve over time. However, as other researchers discussed, Li et al. did not provide details of how managers use budgets for control. In contrast, Anderson, Christ, Dekker, and Sedatole (2014) identified 31 specific controls used in strategic alliances in their study. Anderson et al. found that companies ameliorated compliance and regulations risks through informal controls while addressing relationship controls primarily through explicit exit agreements. Firms used careful partner selection and agreements on contract outcomes as controls to address performance risks.

Sanger (2013) identified control measures such as comparisons of actual to planned performance and industry standards as a best practice in high-performing municipalities, although Sanger did not specifically mention budgets. Still other researchers defined, albeit somewhat broad, how budgets and controls vary over stages of organizational growth. For example, Churchill and Lewis (1983) indicated that budget complexity and control increase over the five stages of growth. In a similar way, Sandelin (2008) conducted a longitudinal case study of a small international telecommunications company by examining management controls during the early years of growth and then later as the company and industry matured. Sandelin found that in early stages of a firm, leaders' use of budgets for control was less formal than in later stages. Su et al. (2015) also performed a correlational study on the effect of a firm's stage of growth on management control and firm performance.

Other researchers have defined or examined budget control by the degree that business leaders used variance analysis. For example, Davila et al. (2014) studied an international sample of 66 young companies to examine the relationship between the adoption of MCS and the firms' value. The results of Davila et al.'s study indicated some MCS are basic and adopted by nearly all companies. These include (by function, not specific system) financial and strategic planning, financial evaluation, and sales targets. Part of financial evaluation was the degree to which organizations used budget variances as a means of control and evaluation. Davila et al.'s study also supports the theory that adopting more formal MCS results in better decision-making and indicates growth potential, which increases a company's value. Similarly, Chenhall and Moers (2015) discussed the use of budget variances and analysis in simple MCS to attain organizational goals. Other aspects of budget controls researchers studied include the level of detail, tightness of controls, and trend analysis. Both Gates and Germain (2015) and Bedford and Malmi (2015) measured budget control by the level of detail in their studies. According to these researchers and others, more detail in budgets (and their subsequent review) equated to greater control. Closely related to the level of detail is whether budgets are loose or tight. The level of tightness relates to how closely an organization adheres to its budget, which is another means of budget control (Gates & Germain, 2015). Other studies involved tightness of controls, although the researchers did not specifically identify budgets as the control mechanism (Li et al., 2013). Finally, Karadag (2015) identified feedback and trend analysis as forms of control, though Karadag did not specifically mention budgets.

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Internal audit practice in Tertiary Institutions in Rivers State

Each tertiary institution in Rivers State prepares of their own budget and send copies to the university of education to which it is attached and later on, a data, will be scheduled for defence. Every tertiary institution is required to defend their budget explaining such things as why, there is need to increase personnel cost, overhead cost and miscellaneous expenditure. Major expenditure of tertiary institutions in Rivers State as follows:

1) **Overhead cost:** The overhead cost comprises of such cost as buildings, laboratory equipment, library books, office furniture and fittings generating set etc
2) **Personnel cost:** This constitute such cost as salaries promotion, allowance and recruitments expenses, pension and retirement benefit
3) **Administrative / miscellaneous expense:** This includes maintenance of vehicles, buildings, students' welfare, staff training and development, gas and oil, honorarium, out – of station – allowance, stationary etc

Each expenditure has a code, which varies from institution to institution.

The budget indicates anticipated revenue from school fees based on last academic sessions record on number of registered students from admissions office. Revenue on tertiary institution includes:

- Federal government grant (education tax fund grant) which is not regular and must be used for the purpose which is being given
- States government grant
- Subvention
- School fees and Hostel fees (as the case may be)
- Sundry revenue like payment for matriculation gown, transcript, fee, costs of receipt fee etc

The mostly subvention from government may not be enough to pay staff salaries and in such case, schools are asked to argument it from internal generate revenue.

The approval of budget is subject to defence by chief executive of the institution, bursar and all those involved in preparing the budget. Budgets are prepared taking into consideration the economic situation in the country and governing council of each school ensures that activities are carried out as budget, unless where is unavoidable to make a change.

Budgetary Planning (Public Expenditure Management)

Budget planning involves the use of budgets to develop financial forecasts, which can include cash budgets, sales budgets, operational budgets, capital budgets, strategic budgets, and budgeted financial statements (Bedford, 2015). Planning is an important function of business management, and budgets are the primary planning tool used in most organizations Planning helps leaders develop an appropriate course of action in the face of uncertainty (Brinckmann & Kim, 2015). Planning is beneficial and important for businesses' performance (Brinckmann & Kim, 2015). The U.S. Small Business Administration (2015) attributes many business failures to poor business planning. In a study by Lee and Cobia (2013), planning was one of the two primary management accounting aspects that improved decision-making. These and other studies and literature point to the central role of planning and the impact of planning on an organization's success.

A review of the literature indicates a close association between budgets and planning. In literature, budgets and plans are often interchangeable (Gorzen-Mitka, 2015). One of the most common purposes of budgets is for planning. The budget is the main tool most organizations use for planning (Pietrzak, 2014). As previously discussed, management controls also include budgets (Chenhall, 2003). Budgets are not only a part of management control systems, but are a central part of many organizations' planning processes (Samuelsson et al., 2016). Samuelsson et al. (2016) stated that the primary function of budgeting is for planning, to include identifying and efficiently using required resources.

A review of the budget literature demonstrates the wide extent of budget use for planning purposes. For example, Umapathy (1987) conducted a study of 402 medium and large companies in the Unites States, in part to determine whether various budget practices, including planning, of financially successful firms differed significantly from other firms. Umapathy found that the use of budgets for planning and coordination had a positive effect on financial performance. Libby and Lindsay (2010) conducted a study of North American firms to update existing literature on current budget practices, evaluate contemporary criticisms of budgeting, and identify trends in budget practices, which included aspects of strategy and planning. Libby and Lindsay found that nearly all the respondents indicated they have and would continue to use budgets for planning purposes. The study by Enqvist et al. (2014) on the impact of working capital management on profitability included cash budgets as the primary tool for cash planning. Enqvist et al. found a relationship between working capital management and profitability, suggesting business leaders should incorporate working capital (cash) management into their financial plans.

More recently, researchers have studied the use of budgets for planning. De Baerdemaeker and Bruggeman (2015) used structural equation modeling to examine the impact of participative strategic planning on budgetary slack. One observation of De Baerdemaeker and Bruggeman's study was the extensive use of budgets in strategic planning. Arnold and Artz (2015) examined the role of target difficulty and target adjustments (flexibility) on firms' financial performance. Arnold and Artz found that more challenging budget targets correlate with increased financial performance, indicating that leaders' use of targets primarily for decision-making mitigated the effects of flexible targets. Arnold and Artz's study also reinforce the use of budgets for planning purposes. Arnold and Gillenkirch (2015) conducted an experimental study to examine the effects on budget negotiations when a conflict exists between budget use for planning and performance evaluation. The results of Arnold and Gillenkirch's study partially explained the common use of only one budget for both planning and control purposes in practice and added to scant research on the relationship between planning and control functions of budgeting. Amans, Mazars-Chapelon, and Villesèque-Dubus (2015) studied two nonprofit performing arts organizations (theaters) to understand how the usage of budgets, such as for planning, control, monitoring, and evaluation, varies within different complex organizations.

The study by Amans, Mazars-Chapelon, and Villesèque- Dubus underscored the inherent use of budgets for planning. Likewise, Davila, Foster and Jia (2014) studied an international sample of 66 young firms to examine the relationship between the adoption of management control systems (financial and strategic planning, financial evaluation, and sales targets) and firms' value. Davila et al. found that some management control systems, including budgets, are basic and adopted by nearly all companies. Of note, Davila et al. specifically identified budgets for financial planning and evaluation (control) in their study. In a case study of two multinational firms that abandoned traditional budgeting, Bourmistrov and Kaarbøe (2013) found that unbundling the budget functions (planning, forecasting, control, and evaluation) allowed leaders to use new forecasting processes to establish stretch goals and improve strategic decision- making. The study by Bourmistrov and Kaarbøe also suggests the intrinsic nature of budgets and planning and the relationship between budget planning and performance. Likewise, Henttu-Aho and Järvinen (2013) studied five industrial companies (paper and steel) that abandoned or considerably changed traditional budget practices and found that the leaders continued to use budget functions such as planning and control to some extent.

Internal audit practice and Organising

Rotich (2015) opened that the profit budgeting and control technique established a systematic approach for the involvement of management levels in the planning process. This approach has some attractive principles. First, the active participation of all managerial levels in shaping the desired goals and the plans for achieving has a position behavioural effect on interest and morale. Secondly, active participation by the all members of management make them aware of how their particular possibilities fit into the total operation of the enterprise if the necessity for interdepartmental co-operation. Thus, the role of the chief finance officer or budget officer must be to others as well develop the system itself.

Sharma (2012) opined that constituent units are intimately inter-linked. This except the budgetary processes is harmonized and the different unit relate adequately to each other a dysfunctional situation will arise. This will no doubt produce unintended consequences which the different units ill-afford. It therefore, necessary that widespread consultations be held before major policy decisions are taken. Even when decision is taken, adequate information must be provided in order to elicit the co-operation of all concerned.

Theory of Accounting

Kaplan and Norton (1996) assert that the accounting theory is aimed towards provision of a coherent set of logical principles that form the general frame of reference for the evaluation and development of sound accounting practices and policy development. Norreklit and Mitchell (2010) exemplifies that the purpose in developing a theory of accounting is to establish Standard for judging the acceptability of accounting methods. Arnold and Gillenkirch (2015) argue that the accounting methods that fail to meet the standard should be rejected. Accounting theory helps in explaining and guiding management actions in identifying and locating information necessary to be used in budget preparation.

The money measurement concept in accounting has contributed to a greater extent in providing yardstick for quantifying, conversion and translating various inputs in relation to materials, and machines required in the preparation of budget (Arnold & Gillenkirch,2015). The accounting theory has an important normative role in the evaluation of budget and control procedures to be adopted. It has assisted in making predictions of the likely outcome of budget action in a given set of circumstance and effect of any change in circumstances. Qi (2010) argues that accounting theory view a firm as a separate entity in which its activities are distinct from its owners. This principle serves as an impetus to the general philosophy of budget itself as a tool for effective management (Qi, 2010).

Budget as a tool for standard setting and performance measurement utilize several accounting concepts to a greater extent. Accounting theory has developed models in which standard can be set. Management accounting theory also provides several yardsticks to be used for control. That is variance analysis. Since budget is an instrument of plan. It provides a framework of given feed back to the management on the implementation of budget. When implementing the accounting theory historical data is instrumental since this data serve as an input for making forecast. The cost accounting theory developed by Wedgwood in early 20th century which stress on cost identification, allocation and revenue maximization has provide a basic insight and blue print in budget and control in organization. The matching concept in accounting also plays a role as reference issue in budget analysis (Arnold & Gillenkirch,2015).

The Theory of Budgeting

Shields and Young (1993) posit that budget acts as a detector of variances between organizational objectives and performance and vital part to the umbrella concept of an effective budgetary performance. Budgets project future financial performance which enables evaluating the financial viability of a chosen strategy. In most organizations this process is formalized by preparing annual budgets and monitoring performance against budgets (Silva & Jayamaha, 2012).
Budgets reflect the financial implication of business plans, identifying the amount, quantity and timing of resource needed (Shields and Young, 1993). They form benchmarks for by comparing actual results with budgeted plans and to take corrective actions if necessary (Sharma, 2012). Budgets do influence the behavior and decisions of employees by translating business objectives, and providing a yardstick against which to assess performance. Bedford (2015) even considered such operational planning as the backbone of management. A budget allows a goal and a standard of performance to be established with subsequent comparison of actual results with the created standard. It requires those involved to be forward looking rather than looking back (Bedford, 2015). Budgets make goals explicit, code learning, facilitate control and contract with external parties (Arnold & Gillenkirch,2015). Fisher exemplified this by “linking compensation to performance measures against the budget”, thereby making goals explicit, communicating goals and thereby coding learning and clarifying performance sssmeasures for individual employees of an organization (Karadag 2015).

Agency Theory

The Principal-Agent (Agency) theory supports development of budgeting. The classic agency theory concept was developed by Berle and Means in 1932.The theory explains why conflicts exist between principals (shareholders/owners) and their agents (managers) leading to agency costs. It aims at reducing information asymmetry so that both the principal and agent read from the same script through the threat of sanctions and the possibility of incentives. Agency theory is developed around the concept of contractual relationships between two groups with conflicting objectives, i.e. principles and agents. The objective in agency theory is to structure the contractual relationship between these groups so that agents take actions to maximize the welfare of principals. This is based on standard principal-agent models involving supervision (Arnold & Gillenkirch,2015). The National Treasury has control of line ministries and state corporations and is supposed to represent the public interest. State corporations are seen as agents of the National Treasury (principal) because they are required to produce a certain level of public output including the quality of this output in exchange for their budget appropriation. An emerging representative of the public interests in the budget making process has been embodied through civic groups' and the legislature's involvement in the budget making process in most developing countries This trend has been associated with three important international developments i.e. democratization, devolution and public expenditure management reforms. The pair 'expenditure program-budget appropriation' can be interpreted as the two components of the contract between the National Treasury and state corporations (Alau. &Abdulkadir 2009).

The objective of The National Treasury is to induce the state corporations into implementing their expenditure programs, while they pursue their own objectives. That relationship entails both hidden actions (e.g. the productive ''effort ''of the civil servants, possible perquisite consumption, or corruption) and hidden information (e.g. the exogenous productivity of that particular sector of the economy), with the agents having the informational advantage over the principal (Bedford, 2015).

Theory of Control

Adequate control is very essential to every organization be it individual or government owned all over the world. This is because if there is no adequate control of resources in the organization, it will be practically impossible to monitor budgets. The theory of control specifies the obligations of government/ industries in providing social and basic amenities to the citizens. It indicates that government owned industries is a basic principle of control on those scarce resources they are meant to manage (Robinson, 2009). Shields and Young (2009) contend that government industries ought to provide both resources and employment to the citizens for meeting the laid down objectives. This implies that the government, board members and staff have joint responsibility to ensure proper accounting practices and timely budgetary implementation and appropriations by building effective management controls and directions. As per this theory, state corporations are expected to live to its responsibility of establishing standards, adequate controlling mechanism and acceptable accounting practices. Government enterprises need not to have unethical persons acting outside controls as ineffective control system in every organization can negatively affect organizational profitability and sustainability as well as companies' resources and performance.

Empirical Review

Gacheru (2012) did a study on effect of the budgeting process on budget variance of non-governmental organizations in Kenya. The main objective of the study was to determine the relationship between budgeting process and budget variance in NGOs in Kenya. The primary data was collected using questionnaire and data analyses were done using descriptive methods. The population of this study comprised of 6,075 NGOs in Kenya over the last five years 2007-2011. Convenient sampling was used to select 20 NGOs for this study. The researcher used a questionnaire to collect primary data and the data was analyzed by descriptive data analysis using SPSS version 17. The research found that a unit change in budget preparation will lead to a 0.722% change in budget variance; a unit change in internal audit practice will lead to a 0.661% change in budget variance; a unit change in budget implementation will lead to a 0.682% change in budget variance. The study concluded that budget preparation, internal audit practice and budget implementation significantly influence budget variance. The study recommends that NGOs should maintain a good budgeting process as the process contributes a lot to their budget variance.

This will help them to monitor revenue and expense levels. It also ensures that the cash outflows (payments) and inflows (receipts) remain at adequate levels. The research findings show that budget preparation, internal audit practice and budget implementation significantly influence budget variance. The study recommends that NGOs should maintain a good budgeting process as the process contributes a lot to their budget variance. This will help them monitor revenue and expenditure levels. It also ensures that cash outflows and inflows remain at sufficient levels. This study recommended further study should be carried out to establish the challenges facing budgeting processes among the NGOs in Kenya as it is evident that the budgeting process is a major factor that affect budget variance. Likewise, a study should also be carried out to establish the effect of budgeting process on budget variance in public sector and state corporations in Kenya.

A study conducted by Gachithi (2010) focused on the factors that influence budget implementation in public institutions in Kenya, a case study of University of Nairobi. The study aimed at investigating the factors affecting budget implementation and to determine the extent to which these challenges affect budget implementation in the University of Nairobi. To achieve objective of these study a descriptive study was done. The researcher used both primary and secondary method of collecting data. A structured questionnaire with both open and closed end questions was used to collect primarily data. The respondents constituted Eight (8) Administrators, six (6) Bursars from the colleges of the university, eight (8) senior representative members of the budget Committee from Finance, eleven (11) staff in finance and administration involved in budget preparation. The secondary data sources were used to supplement the data received from questionnaire. A descriptive analysis was used. The data was presented using statistical measures pie charts, bar graphs, frequency tables and graphical presentations. The study established that University of Nairobi does not have efficient budget preparation procedures. Other challenges included insufficient funds allocated to department, institutional weakness which hindered effective budget implementation and the methods used to allocate funds to user department were unsatisfactory. The study recommends that for University of Nairobi to curb challenges in budget implementation there is need for effective procedures and guidelines in the allocation of funds and operational implementation policies. Alau, Salam and Abdikadir (2009) did a study on effect of budgeting process on budget performance in public sector using Kwara state in Nigeria. The objective of the study was to assess the effects of budgeting process on budget performance in public sector. The population of study was Kwara state government covering 33 ministries and departments. Purposive sampling technique was used to select 150 respondents to whom questionnaires were administered. Prior to the administration of research instrument reliability and validity was tested.

Data was collected from primary and secondary data source using structured questionnaire administered to accounting officers and budget officers. Data was analyzed using Kraskal Willis estimations. The study found that the existing budget process was significantly effective to attain better budget performance although the compliance level was wanting. The study recommended that there is need to improve awareness among stakeholders on budget implementation through seminars and workshops. The state should also improve the level of compliance of due process on budget formulation and implementation by ensuring strict adherence with relevant laws and guidelines of budget process. The study recommended that the existing budget process and controls should be improved upon the existing legal framework of relevant laws so as to foster the budget achievement and improve budget control.

Qi (2010) conducted a research on the impact of the budgeting process on performance of SMEs in China. The intention was to gaining a deeper understanding about how budgeting affect performance of small and medium-sized enterprises (SMEs). The purpose of this study was to describe and explore the relationship between budgeting and performance. The study further examined whether the established relationship between budgeting and performance is confirmed by the actual budgetary practice of Chinese SMEs. The researcher used quantitative research design. In this study, performance was measured using financial, managerial, and budgetary and job satisfaction.

The study found that more formal budgeting planning promotes higher growth of sales revenues in SMEs; clear and difficult budget goals improve budgetary performance of SMEs; a higher level of budgetary sophistication results in a lower profit growth of SMEs; more formal internal audit practice leads to a higher growth of profit in SMEs; greater budgetary participation leads to better managerial performance and State-owned enterprises achieve better non-financial performance than small firms.

Methodology

Quasi-experimental design was used in this study. This was used because the variables involved were not under the control of the researcher. Quasi-experimental is descriptive and explanatory in nature because it is channeled towards solving a particular problem through an in-depth examination of the subject matter. For this study a cross sectional time horizon was adopted. This is a system of measuring and collecting data at a single point in time. The population of the study consisted of the staff of the studied four tertiary institutions in Port Harcourt, Rivers State. Therefore, the population of the study is 6812 staff distributed as follows:

Institution	Staff Strength
Rivers State University, Nkpolu- Oroworikwu, Port Harcourt	1870
University of Port Harcourt, Choba, Port Harcourt	3268
Ignatius Ajuru University of Education, Iwofe, Port Harcourt	978
Elechi Amadi Polytechnic, Rumuola, Port Harcourt	696
Total	**6812 staff**

The sample selection of the staff recognized by the study population was done randomly through probabilistic sampling techniques involving stratification. The sample size was determined as follows: $n = N/1+N(e)^2 \quad = \quad 6812/1+6812(0.05)^2$

$= \quad 377.814$ i.e 378

Sample Size = 378

The research instrument used in collection of data for this study was mainly the questionnaire containing structured questions. Equally secondary information or data were collected through textbooks journal magazine and newspapers etc. Descriptive and inferential statistics were used to analyze the data for this study. Regression analysis was used to test the hypotheses formulated in this study.

Model Specification

$Y_1 = b_o + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + e$ -------------(1) {for testing Ho_1, Ho_2, Ho_3, Ho_4}

P = f (RA, M, IC, CA)

Where;

P = Planning

RA = Risk assessment

M = Monitoring

IC = Information and communication

CA = Controlling Activities

$Y_2 = b_o + b_5x_5 + b_6x_6 + b_7x_7 + b_8x_8 + e$ -------------(2) {for testing Ho_5, Ho_6, Ho_7, Ho_8}

O = f (RA, M, IC, CA)

Where;

O = Organising

RA = Risk assessment

M = Monitoring

IC = Information and communication

CA = Controlling Activities

Statistical Model Specification

This study used planning and organizing as the dependent (criterion) variables while risk assessment, monitoring, information and communication and controlling activities were used as independent (predictor) variables. The model is therefore specified thus:

$Y_1 = b_o + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + e$;

$Y_2 = b_o + b_5x_5 + b_6x_6 + b_7x_7 + b_8x_8 + e$;

Where;

Y_1 = Planning; Y_2 = Organising

X_1, X_5 = Risk assessment

X_2, X_6 = Monitoring

X_3, X_7 = Information and communication

X_4, X_8 = Controlling Activities

b_o = The parameter which represents the intercept, b_1, b_2, b_3, b_4, b_2, b_3, b_4, b_5, b_6, b_7, b_8, = the regression parameters were used in determining the significance of the effect of each of the independent variables x_1, x_2, x_3, x_4, x_5, x_6, x_7, x_8 on the dependent variables Y_1, Y_2, e = Random disturbance term. These include the variables which (although not specified) in this model may also affect social media forensic accounting and banks' efficiency. They include government policies, political instability, corruption, environmental forensic accounting problems etc. The effects of internal audit practice on the dependent variables were measured in interval and ratio scaling. The coefficient of determination (R^2) was used to measure the rate at which the independent variable was explained by dependent variables. The a priori expectations for the coefficients are as follows: $\beta_0 > 0$; $\beta_1 > 0$; $\beta_2 > 0$; $\beta_3 > 0$; $\beta_4 > 0$; $\beta_5 > 0$; $\beta_6 > 0$; $\beta_7 > 0$; $\beta_8 > 0$.

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Results and Discussions

In this study, 378 copies of questionnaire were administered to 4 tertiary institutions in Rivers State and 297 copies of questionnaire were actually retrieved. However, after going through them 266 copies of questionnaire were (representing 70.37%) were found useful for the study analysis. The results of the study are presented and discussed below:

Relationship between Internal audit practice and Planning

This section is used to critically examine the relationships that exist between internal audit practice and tertiary institutions' planning in Rivers State. To achieve this, the following hypotheses were formulated:

Ho_1: There is no significant relationship between risk assessment and planning in tertiary institutions.

Ho_2: There is no significant relationship between Monitoring and planning in tertiary institutions.

Ho_3: There is no significant relationship between Information & communication and planning in tertiary institutions.

Ho_4: There is no significant relationship between Controlling activities and planning in tertiary institutions.

Table 1: Test Results of Internal audit practice (BC) and Tertiary Institutions' Planning (TIP)

Internal audit practice (Independent Variables)	Unstandardized Coefficients		Standardized Coefficients	t - value	Significant/ Probability Value	Decision
	B	Std. Error	Beta			
(Constant)	2.417	0.204		11.859	0.000	
Risk assessment (Ho_1)	0.240	0.089	0.392	2.688	0.008	Significant
Monitoring (Ho_2)	0.146	0.069	0.285	2.115	0.036	Significant
Information & communication (Ho_3)	0.008	0.092	0.011	2.191	0.027	Significant
Controlling activities (Ho_4)	0.025	0.088	0.030	0.285	0.776	Insignificant

Source: Survey Data, 2020, and SPSS Window Output, Version 22.0 (Appendix ii)

a. Dependent Variable: Planning

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b. Predictors: (Constant), controlling activities, information & communication, risk assessment, monitoring

$$Y_1 = b_o + b_9x_9 + b_{10}x_{10} + b_{11}x_{11} + b_{12}x_{12} + e \text{ ---------(1) \{for testing } Ho_1, Ho_2, Ho_3, Ho_4\}$$

$$Y_{1\,(}\text{Planning}) = 2.417 + 0.240RA + 0.146M + 0.008IC + 0.025CA + e$$

$$t = \quad (2.688) \quad (2.115) \quad (2.191) \quad (0.285)$$

Table 1 shows the inferential statistical test results of the relationships between internal audit practice and planning as a measure of tertiary institutions' management. The result of the hypothesis 1 tested, show positive and significant relationships between risk assessment and planning with t- value outcome of 2.688 @ p0.008<0.05, meaning that a positive and significant relationship exists between risk assessment and planning, indicating that the null hypothesis 1(H_{o1}) has been rejected and alternate hypothesis 1(H_{i1}) accepted hence – "there is significant relationship between risk assessment and planning in tertiary institutions.". The result of hypothesis 2(Ho_2) revealed strong positive and significant relationship between monitoring and planning with t-value outcome of t = 2.115 @ p0.036<0.05. By this result the null hypothesis 2(H_{O2}) has been rejected and alternate hypothesis 2(Hi_2) accepted hence – "there is significant relationship between monitoring and planning in tertiary institutions.". With respect to hypothesis 3(Ho_3), the result in Table 1 revealed strong positive and significant relationship between information & communication and planning with t-value outcome of t = 2.191 @ p0.036<0.05, therefore, the null hypothesis 3 (H_{O3}) has been rejected and alternate hypothesis 3(Hi_3) accepted hence – "there is significant relationship between information & communication and planning in tertiary institutions". For controlling activities and planning which is hypothesis 4 (H_{O4}), the result of the hypothesis 4(Ho_4) tested, shows negative and insignificant relationships between controlling activities and planning in tertiary institutions with t- value outcome of 0.285 @ p0.776 > 0.05, denoting that a positive relationship which is not significant exists between controlling activities and planning, therefore, the alternate hypothesis 4 (Hi_4) has been rejected and null hypothesis 4 (H_{O12}) accepted hence – "there is no significant relationship between controlling activities and planning in tertiary institutions.".
From the inferential results, it can be stated as follows:

1. Risk assessment as a dimension of internal audit practice has a positive and insignificant relationship with planning as a measure of tertiary institutions' planning. This simply means that risk assessment as a dimension of internal audit practice significantly affects planning as a measure of tertiary institutions' management

2. Monitoring as a dimension of internal audit practice has a positive and significant relationship with planning as a measure of tertiary institutions' management. This also means that monitoring contributes favourably to planning which is a measure of tertiary institutions' management.

3. Information & communication as a dimension of internal audit practice has a positive and significant relationship with planning as a measure of tertiary institutions' management. The outcome here is indicative that information & communication positively affect planning as a measure of tertiary institutions' management

4. Controlling activities as a dimension of internal audit practice has a positive but insignificant relationship with planning which is a measure of tertiary institutions' management. This simply means that controlling activities as a internal audit practice instrument positively and insignificantly influences planning as one of the key performance indicators for measuring tertiary institutions' management.

Multivariate Analysis (Multiple Regression on the Association between Budgetary Control and Measures of Tertiary Institutions' Organising

The purpose of this research was to evaluate the effect of internal audit practice on tertiary institutions' management in Rivers State, Nigeria. In this section, the multiple regression analysis was carried out to determine the extent to which the variability of the dependents is explained by the independent variables. It has further shown the magnitude of the influence of the various dimensions in relation to organizing as a measure of tertiary institutions' management. This subsection was further used to critically address

Table 2: Results of Internal audit practice (BC) and Tertiary Institutions' Organising (TIO)

Internal audit practice (Independent Variables)	Unstandardized Coefficients		Standardized Coefficients	t - value	Significant/ Probability Value	Decision
	B	Std. Error	Beta			
(Constant)	2.251	0.132		17.060	0.000	
Risk assessment (Ho_5)	0.124	0.058	0.236	2.143	0.034	Significant
Monitoring (Ho_6)	0.160	0.045	0.361	3.573	0.000	Significant
Information & communication (Ho_7)	0.176	0.060	0.279	2.942	0.004	Significant
Controlling activities (Ho_8)	0.012	0.057	0.016	0.202	0.840	Insignificant

Source: Survey Data, 2020, and SPSS Window Output, Version 22.0 (Appendix ii)

a. Dependent Variable: Organising

b. Predictors: (Constant), Controlling activities, Information & communication, risk assessment, monitoring

Y_2 (Organising) = 2.251 +0.124RA +0.160M +0.176IC +0.012CA +e

t = (2.143) (3.573) (2.942) (0.202)

The multiple regression results as shown in the table 2 clearly indicates that a strong relationship exist between internal audit practice and organising with a t-value of 17.060. To address the problem of strength of the independent variables, the results are revealed in Beta coefficients' column, also known as standardized regression coefficients as shown in Table 2. The beta coefficients have been used here to compare the relative strength of the various predictor variables within the model. In this regard Monitoring caries, the highest strength or weight of (beta = 0.361) followed by information & communication (0.279) risk assessment (0.236) and controlling activities (0.016). Also, the regression reveals the significant effect of each of the independent variables in relation to the dependent variable (organising) through their t- values as follows: risk assessment's t-value = 2.143 (positive and significant); monitoring's t-value = 3.573(positive and significant); information & communication's t-value = 2.942 (positive and significant); and controlling activities' t-value = 0.202(positive and insignificant).

The inferential results are indicative of the nature of the relationship and effect, thus:
1). risk assessment as a dimension of internal audit practice affects organizing as a measure of tertiary institutions' management
2). Monitoring as a dimension of internal audit practice affects organising as a measure of tertiary institutions' management
3). Information & communication as a dimension of internal audit practice affects organising as a measure of tertiary institutions' management
4). Controlling activities as a dimension of internal audit practice does not affect organising
as a measure of tertiary institutions' management.

Relationship between Internal audit practice and Tertiary institutions' Management (Discussions)

The findings linked to the relationship between internal audit practice and tertiary institutions' management revealed that tertiary institutions use internal audit practice to conduct their management and controlling activities and that this elicits tertiary institutions' efficient management. A critical appraisal of the finding reveals that positive and significant relationship exists between internal audit practice and planning in tertiary institutions; there is positive and significant relationship between internal audit practice and planning in tertiary institutions. The full import of this finding is that tertiary institutions use internal audit practice software that provides a variety of accounting features, including comments, internal audit practice rolls, trackbacks, and supervisions that make it possible for the planning and management in tertiary institutions of the tertiary institutions to be improved (Arnold & Gillenkirch, 2015)). Internal audit practice makes great hubs for tertiary institutions' other managerial efforts, as they can be integrated with nearly every other tool or platform to convert potential students to actual students. Every tertiary institution with a website tries to have a internal audit practice that speaks to its current and potential students as real people. Every time tertiary institutions introduce new controlling measures they institute quick strategies about internal audit practice and by so doing they re-engineer their management possibilities and mobilise students that would end up being potential leaders/managers after schooling (Rigopoulos, 2015).

The study found that internal audit practice offers veritable opportunities to optimize internal audit practice efficiency as it helps to make planning in tertiary institutions. The implication of this finding is that tertiary institutions rigorously use internal audit practice to identify the processes and procedures to locate, qualify and ultimately secure the business of internal audit practice. Silva and Jayamaha (2012) insist that internal audit practice now largely falls under the remit of internal control measures so there is little disbelief that the intended forensic accounting output of internal audit practice is pragmatic. Accordingly:

1. This study has brought to the fore the significance of internal audit practice platforms and how their adoption can help tertiary institutions to enhance their level of organizational efficiency.

2. This study revealed that risk assessment as a dimension of internal audit practice has positive and significant with planning as measures of tertiary institutions' efficiency This practically means that risk assessment as a forensic accounting instrument influences tertiary institutions' management positively.

3. The study discovered that monitoring as a dimension of internal audit practice has positive and significant relationship with planning in tertiary institutions. This practically means that monitoring as a internal audit practice strategy positively influences tertiary institutions' management and contributes to the success of forensic accounting activities.

4. The study revealed that information & communication as a dimension of internal audit practice has positive and significant relationship with planning in tertiary institutions as a measure of tertiary institutions' management. This practically means that information & communication is a veritable strategy for internal audit practice and meaningfully affects tertiary institutions' management.

. 5. The study found that controlling activity as a dimension of internal audit practice has positive and insignificant relationship with planning in tertiary institutions as a measure of tertiary institutions' management. This practically means that controlling activity as a forensic accounting instrument influences tertiary institutions' management.

Conclusion

The study revealed that: There is significant relationship between risk assessment and planning in tertiary institutions; there is significant relationship between monitoring and planning in tertiary institutions; there is significant relationship between information & communication and planning in tertiary institutions; there is no significant relationship between controlling activities and planning in tertiary institutions; there is significant relationship between risk assessment and organising in tertiary institutions; there is significant relationship between monitoring and organising in tertiary institutions; there is significant relationship between information & communication and organising in tertiary institutions and there is no significant relationship between controlling activities and organising in tertiary institutions.

Recommendations

This study empirically examined the effect of internal audit practice on tertiary institutions' management in Rivers State. Based on the findings and the conclusions of the study, the following recommendations have been made:

1. Internal audit practice is an aspect of a forensic accounting phenomenon; it has proven to be very effective and efficient tool and should be viewed as a major actor in managerial tools. Tertiary institutions should use risk assessment to their advantage by encouraging staff to participate in internal audit practice which in turn covers more ground for the enhancement of managerial activities in tertiary institutions.

2. One of the major challenges of internal audit practice is turning data and information into something actionable and of practical outcome for decision-making. The study recommends that monitoring activities should equally be used by tertiary institutions' managers as tracking and evaluation systems. Feed backs concerning the success of tertiary institutions information and communication systems should be of regular exercise as part of the management impetus.

3. Information & communication can also be of good resource for building goodwill and improving internal audit practice platform, the study recommends that tertiary institutions should engage their staff to be part of the whistle blowing exercises necessary to grease the oil wheel of management kits in tertiary institutions.

4. The study recommends that for tertiary institutions to have a wide spectrum of strategies for effective internal audit practice, they should place some measures to encourage all-inclusive participation of their staff in controlling activities within the educational environment. Additionally, the study recommends that the tertiary institutions' management should embrace controlling activities with professionally driven staff who are very vast in forensic accounting rudiments.

5. Internal audit practices should be instituted by the management of tertiary institutions in order to enhance the financial performance of the institutions through transparency laced with effective application of the ethical business best practices in in tertiary institutions.

6. Regular training of the staff of internal audit practice departments is necessary to sharpen their skills of implementation of necessary procedures tertiary institutions.

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