

The Moderating Effects of Top Management Support on the Relationship Between Internal Audit Quality and Organisational Performance of Nigerian Universities

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Abstract

This study investigate the relationship between internal audit quality (IAQ) and organizational performance with moderating variable of top management support in the federal universities in Nigeria. The independent variables consist of internal audit size (IAS), and internal audit reporting line (IARL) with organizational performance as the dependent variable. A total of 400 samples of senior internal auditors' level were drawn from 40 Nigerian federal universities. Data was collected via questionnaires and distributed to internal auditors. 400 questionnaires were distributed, 342 were returned, 29 were rejected and 313 were retained. The data was analysed using both descriptive and inferential statistics for testing hypotheses. The results of the study after testing the direct relationship of the independent variables with the dependent variable reveals that there are no significant positive relationships between the variables of IAS and IARL with organizational performance. While, the result of moderating effect of top management support in the relationship between the independent variables and organizational performance, have shown that IAS have positive and significant relationship with organizational performance, except IARL. The result shows strong correlation between the dimensions of IAQ and organizational performance and optimum performance in Nigerian federal universities is attainable when internal audit quality dimensions are functional. The study has contributed greatly in determining the effect of the moderating variable in the study which add value to the existing literature not only in the Nigerian federal universities but also the internal auditing practice in the Nigerian public sector. It is therefore recommended that the dimensions of internal audit quality should always be given attention a better service delivery and efficiency.

Keywords: Internal Audit Quality, Top Management Support, Organizational Performance, Nigerian Federal Universities

1.1 Introduction

This paper aims to investigate the moderating effects of top management support on the relationship between internal audit competency and organisational performance in Nigerian Universities. The topic has enticed researchers since the collapses of many high profile both in the developed, developing and emerging economy (Ahmed, 2015; Nuhu & Ahmed, 2016). Internal audit has become an important management technique in contributing towards quality service delivering and achieving effective and efficient governance processes (Cohen and Sayag, 2010). The emphasis on internal audit as an important element manifested after the series of corporate collapse of giant America corporate organizations such as Enron, Pamalat, HIM, WorldCom and many others and also the series of reported cases of fraud and embezzlement of public funds that crippled economic activities of many countries around the world (Ahmed, 2015) which Nigeria is inclusive.

The present study seeks to examine the moderating the effect of top management support on the relationships between Internal Audit Size, Internal Audit Reporting Line and organisational performance in Nigerian universities.

2.1 Literature Review

In performing IAQ, both the system of internal audit effectiveness and efficiency can be monitored for conformity of internally recognized standards and develop a process of continues quality improvement. And not only should the outputs of the audit be measured against the planned objectives, but the audit process should include work plan, reporting, competency and other factors that can complement the IAQ for achieving organizational performance (Mihret, et al, 2010). Internal audit quality is characterized by competency, independence, size, reporting line and timeliness of IA report. The ability to communicate audit reports and other findings and recommendations in time and at the same time to have prompt response from decision makers is quite important in achieving organizational performance (Enofe et al, 2013). Therefore, internal audit is a function of highly experienced, knowledgeable and expertized staff; reasonable size of audit staff; independence and objectivity in the audit process and ability to communicate audit findings and recommendations through the regular and acceptable reporting pattern (Enofe et al, 2013).

Various studies have made an effort towards the studies of internal audit functions considering the role the functions are playing in organizational performance. The need to investigate such response from both public sector organization and would be important in justifying the paradigm shift from traditional focus of Internal

Audit Function (IAF) to newly defined internal audit function (IUF). To effectively focus on internal audit function, factors such internal audit competence, independence, size, timeliness and reporting line in internal audit are of fundamental importance.

KPMG, (1999) studies on transforming internal audit from its compliance role to a strategic organizational tool, the result of a survey from 201 senior company executive in the United State, found that IAF in organization, where it exists contribute substantially to organizational performance. Hezmanson and Rotenberg, (2003) in their study on internal audit and organizational governance stated that the existence of IAQ in an organization influence effective organizational performance. They argued that the existence of internal audit quality (IAQ) is associated with superior organizational performance. They further suggest for more research on IA effectiveness and organizational performance. The study should be carried out empirically, and they should recommend for such study to be conducted in developing countries. Mihret, James & Mula, (2011) found that there is significant correlation with effectiveness of IAF and performance of organization after employing institutional theory and Karl Marx's theory to justify relevance of internal audit literature. This study attempts to employ institutional theory and stewardship theory to justify the relationship between IAQ and organizational performance because their study is more on market orientation than on public institution.

This shows the variables used in this are not strong enough to influence significant relationship between the constructs of the study. Moreover, Ojong and Ekponta, (2014) assessed the effect of internal audit function, the financial performance of Tertiary Institutions in Nigeria. The findings of the study after analyzing the constructs of the study, indicated insignificant relationship. This is attributed to lack of auditor's independence, inadequate resources, inadequate internal audit staff and manpower development. The study suggested for involvement of top management for the establishment of befitting internal audit. This study, therefore attempts to employ top management support which they failed to do, to investigate the moderating effects of top management support on the relationship between internal audit competency and organisational performance of North West Universities in Nigeria.

2.1.1 Internal Audit Size and Organizational Performance

Internal audit size is another important element in achieving internal audit quality which in turns stimulates the organizational performance. International Standards for the Professional Practice of Internal Auditors (ISPPA) indicated IA to function more effectively it has to be sufficiently resourced (ISPPA – Practice Advisory-2003). Arenna and Azonne, (2009) indicated that among the most important factors for internal audit quality (IAQ) in fulfilling internal audit responsibilities is sufficient number of professional audit staff. Mahzan & Hassan (2015) further indicated that sufficient number of internal audit staff and their participation in organizational operation is a strong indicator of organizational performance. Although their study shows a significant relationship, however, it suggested that more sufficient number of internal audit staff should be considered for effective organizational performance.

Several studies suggests that the quality of IA works successfully and reliable when there is sufficient number of audit members. Ali *et al* (2007) studies on Malaysia local and state government IA department, indicated serious problem facing internal auditing was shortage of qualified members of IA staff. Equally in another study, Ahmad *et al*, (2009) shows that the critical issue limiting internal audit to function effectively in Malaysia public sector organization, is shortage of internal audit staff. The study further elaborate that greater number of the respondent to the questionnaire indicated that lack of sufficient number of audit staff is behind the ineffectiveness of internal audit quality which in turn have a negative effect to the organizational performance. Their study should employ more variables, especially, top management support.

Mihret and Yismaw, (2007) and Obeid, (2010) evaluated the IAQ in public sector organization the result of their findings shows IA department were significantly understaffed that limiting their ability to perform more effectively which impacted negatively to the overall performance of the organization. Mihret and Yismaw, (2007) and Dominic and Nonna, (2011) found significant correlations between the size of IA staffing and IAQ which allow IA contributions to organizational performance. They suggests that internal audit department should be adequately staffed to enable them discharge their functions more effectively.

However, in the study conducted by Christopher, (2015) when analyzing the resource availability found that greater part of the respondents (69.2%) considered that the internal audit department is adequately resourced. The result of the finding indicated that resource availability has significant relationship with IAQ and overall performance of the university analyzed. As cited in Mahzan and Hassan, (2015) in their studies on internal audit quality in 5s environment: Perception on critical factors, effectiveness and impact on organizational performance. Based on the above empirical and theoretical findings, the following hypothesis is proposed:

H1: There is significant relationship between internal audit size an organizational performance.

2.1.2 Internal Audit Reporting Line and Organizational Performance

Internal audit reporting line is an important area of IA practice since the beginning of the profession in 1940s (IIA, Research Foundation, 2003). Lawrence Sawyer, who described internal auditing as the “eyes” and “ear” of

management (Picka and Mulej, 2004) implies that reporting relationship would normally be to the senior management because of the emphasis on internal control evaluation. However, with advent of internal audit definition adopted by IIA in 1999, it recognizes that there are other constituencies for internal audit services. These important constituencies include the chief executive, audit committee and operational management.

The standards suggests that reporting lines must include the chief executive officer and audit committee (AC) but not explicitly denied other reporting to such as chief finance officer. Internal audit reporting relationship being a key player for achieving internal audit quality, it is equally an important contributing factor for the overall organizational performance. Boyle, (2012), in his study, view that to realize effective organizational performance, the chief audit executive (CAE) should report to the level where it will facilitate IA fulfill its roles and should be free from management interference. This view was supported by the IIA and ISPPA Practice Advisory Board which states that CAE should report functionally to the audit committee and administratively to the chief executive of the organization. For internal audit to achieve its objectives in realizing efficient organization performance should not participate directly in management decision making process rather be consulted with key decisions. And internal auditor as a trusted advisor should encourage effective communication with management and audit committee of the Board or Council (Alic&Rusjan, 2011).

In previous studies, Abbott et al, (2010) states that reporting line affects the allocation of resources to IA, and this will impact on the organizational performance. Boyle, (2012) found that reporting to external stakeholders affects internal auditor's judgement. Alic and Rusjan, (2011) indicated a positive relationship between reporting line in organizational structure and the entire organizational performance in their study on management relevance of internal audit. Mahzan and Hassan, (2015) indicated that internal audit report is an output of internal audit quality. The result of their analysis in the study conducted on internal audit quality in 5s environment shows a significant relationship with the organizational performance. Other studies indicated positive relationship between internal audit reporting lines with organizational performance include, Morris, (2011); Gramling and Harmason, (2006); Ali, (2012); Ziace, (2014).

However, in a study conducted by Adeyemi et al, (2012) on factors affecting internal audit quality in Nigeria, shows insignificant relationship of internal audit reporting with organizational performance due to ineffective audit committee independence. And in a related study, Ejoh and Ejom, (2014) in their study indicated that reporting line do not have significant influence on financial performance in the colleges they analyzed, because internal auditors do not conduct their responsibility with greater degree of autonomy and independence from the college management. In another study conducted by Al-Shetwi et al, (2011) indicated insignificant impact on the financial performance due to inadequate corporate governance with series of structural defects in the organizations. The study suggests capital market authority (CMA) to formulate specific rules relating to internal audit function, for example internal audit reports should be presented in the company's general assembly (Board) against reporting to senior managers. The position of internal auditor in an organizations' main organogram, that is internal audit reporting line, certainly influences the quality of the audit. Where internal auditors found themselves reporting only to the chief executive, the tendency of compromising audit findings is high. Based on the above empirical and theoretical findings, the following hypothesis is proposed:

H2: There is significant relationship between internal audit reporting line and organizational performance.

2.1.3 Top Management Support and Internal Audit Size

As the size of organizations differs in their vision and mission, equally the internal audit size vary. Therefore, comparing the internal audit size with one and another in an organization in determining internal audit quality can be misleading, (IIARF, 2004). In another perspective, top management consider variety of factors in determining the size of internal audit department in their organization on whether the investment, example, resourcing the department yield positive result? There is no doubt internal audit function need to be properly equipped with sufficient human and material resources to enable it carry out the required responsibilities for organizational effectiveness, (Alzeban&Gwilliams, 2014).

Previous studies suggests that internal audit quality is likely to be higher where there is enough number of internal audit staff (Brierley, 2001; Brierley, 2003; Ali et al, 2007; Arenne&Azzone, 2009; Mahigeta, 2008; Ahmad et al, 2009; Obeid, 2010). For instance, the study conducted by Ali et al, (2007) on internal audit in the State and Local Government of Malaysia indicated that major problems hindering effective internal audit performance is the severe shortage of internal audit staff. Ahmad et al, (2009) shows that limited number of internal audit staff is among the reasons for ineffective performance in Malaysian public sector. The study further found that with the support from top management, both staffing and resource allocation would be improved. The two studies above could have improved on their finds by employing a variable of top management support.

Arena and Azzone, (2009) stated that the primary condition for internal audit quality to enable it fulfil its responsibilities is to acquire enough and well equipped professional audit staff. Alice and Rusjan, (2011) supported the study by indicating that sufficient number of internal audit employee participation is a stronger indicator of organizational objectives. Alzeban and Gwilliams, (2014) states that management support empowers

IA department through the provision of sufficient resources to enable it carry out its duties efficiently. And with management support, IA department can secure available staff and have access to training and development (Cohen & Sayag, 2010; Alzeban & Sawan, 2013).

Alzeban and Gwilliams, (2014) further, indicated that top management support has significance influence on internal audit size, from the survey they conducted on 203 internal auditors in Saudi Arabia public sector organizations. Internal audit required to acquire the right number of qualified members of staff. This can only be achieved by support of top management (Cohen & Sayag, 2010). Al-Twaijry, (2003) indicated that management support to internal audit in terms of resourcing and budgetary allocation is so significant in determining internal audit quality. Management support for IA is so vital for ensuring that internal audit have resources needed to meet their responsibilities (Christopher, 2014). EjomEjoh and, (2014) revealed that the activities and other operation in the colleges they analyzed were initiated by top management. Therefore, management have great influence on internal audit activities. However, the quality of internal audit is not effective. The study found that internal audit department is not sufficiently staff and does not perform their duty independently. Overall finding revealed that IA in the institutions they analyzed has no significance contribution. Under this situation, top management intervention is very critical.

In the recent study conducted by George et al, (2015) shows that top management is associated with the internal audit size and IAQ is significantly related with organizational performance. The Institute of Internal Auditor Research Foundation, (2004) stated that management attitude towards IA can have positive effects on the internal audit behavioral attitude towards their responsibilities. Mahzan and Hassan, (2015) supported the views where they stated that senior management support and internal audit resourcing were view as a set of inter-dependence processes for achieving organizational performance.

In the study conducted by Modibo, (2015), the result of the study show that internal audit unit of tertiary institution in Adamawa state, Nigeria, is not effective because they lack independence and they are in short of adequate staff. This indicated that the management of public tertiary institution especially those in developing countries have to ensure appropriate support to internal audit department to enable it meet the organization objectives. Based on the above empirical and theoretical findings, the following hypothesis is proposed:

H3: Top management support moderates the relationship between internal audit size and organizational performance.

2.1.4 Top Management Support and Internal Audit Reporting Line

The level of interaction that exist between the audit committee, top management and internal auditors suggest for solid constructive relationship which is on this relationship, audit committee and top management can expect reasonable assurance over IAF (Abbott & Parker, 2010). The support from top management to ensure internal audit quality should include positioning of internal audit function within the organizational structure that will facilitate effective reporting relationship between the parties involved. With this support, internal auditor can obtain sufficient resources and authority that will facilitate efficient reporting relationship within the organization (Cohen & Sayag, 2010; Alzeban & Sawan, 2013). Top management should commit and provide prompt response to audit recommendation and concluded in their study that there is a significant relationship and positive influence of senior management toward internal audit functions (Saran & De Beelde, 2006).

In previous study conducted by Adams (2000) indicated that there are significant internal contextual variable such as reporting process and management attitude to reporting which are likely to have influence on the extensiveness, quality, quantity and completeness of reporting. Similarly, in a research study submitted to Institute of Internal Auditors (IIA) by Chair, (2003) suggest that audit committees should have more concern in internal audit reports and recommendations. It further suggests that top management to pay more attention on some strategic issues that will improve the monitoring and compliance in the corporate governance. Specifically the result of the study revealed that the internal audit scope should be extended to address strategic issues that would contribute to organizational effectiveness.

Rupsys, (2005) studies on internal audit reporting relationship: the analysis of reporting lines, shows that reporting lines of internal audit activity are generally not organized and often very conflicting. Mihret and Yesmew, (2007) revealed that the distribution of audit reports in public institutions is only limited to the chief executive, as such the recommendations are not given appropriate attention and no mechanism provided to follow-up the recommendations. However, the result of the study indicated a significant influence of management support to internal audit reports. The study further, suggests that IA should have enough status in the organizational structure to allow it to have better access to top management in order to create an atmosphere of objective and unbiased reporting.

In another study conducted, Boyle, (2012) indicated that report types and reporting relationship has significant effect on internal auditors' judgement and risk assessment. The finding further shows significant and potential benefit to the organization. Therefore internal audit should be appropriately structured and positioned to enable it discharge its responsibility efficiently, given that quality internal audit plays a crucial role in the entire

governance process (Gramling&Hermason, 2006; Abbott & Parker, (2010). Obviously, reporting lines of internal audit are dynamic and has developed along with progress of internal audit discipline. Initially, internal audit activities are more on financial issues, which the report goes to officer in charge of finance. Later, internal audit functions shifted to a more complex and difficult relationship by having more constituents, that is, the audit committee (AC) of the board/council and the top management/chief executive and possibly with other stakeholders, which each of these constituents are interested on their concern (Rupsys, 2005). Internal audit reporting lines are normally categorized in to functional and administrative (ISPPIA). Top management has a crucial role to play in moderating these relationships for internal audit to achieve its quality of which it is established and internal auditors must keep top management informed on all their activities and conclusion reached (Ahmad, et al, 2009; Badara&Saidin, 2012; Alzeban&Sawan, 2013).

In the recent study conducted by Christopher, (2014) on internal audit: Does it enhance governance in the Australian Public University sector, revealed that functional reporting line to the audit committee of the university exist. And with this reporting relationship IA secured independence. The study further revealed that management provides positive decisions that will enhance internal audit independence and integrity by positioning internal audit strategically in the organizational structure. Mahzan and Hassan, (2015) supported this finding by emphasized that internal audit quality is largely depends on effective reporting relationship.

This paper is guided by the stewardship theory. stewardship theory to explain how it could serve as an approach in building the theoretical framework of internal audit quality and organizational performance with a moderating variable of top management support and how the theory would contributes towards realization of effective organizational performance. Stewardship theory examine relationship and behaviors often discounted in the organizational economic theories emphasizing collective and pro-organizational behaviors in which high value is placed on goal convergence rather than on agent self-interest. In stewardship theory, managers are not motivated by their individual needs but rather are stewards whose motives are aligned with the objectives of the organization (Davis, et al, 1997). In case of the government-nonprofit social services relationship like the Nigerian federal universities as the context of this study, stewardship theory is an appropriate model because by virtue of their organizational forms and specialized mission focuses generally on research, teaching and community services. Davis, et al, (1997) further show that stewards are motivated by intrinsic rewards such as trust, reputational enhancement, reciprocity, job satisfaction, discretion and anatomy, level of responsibility, stability and tenure and mission alignment. Based on the above empirical and theoretical findings, the following hypothesis is proposed:

H4: Top management support moderates the relationship between internal audit reporting line and organizational performance

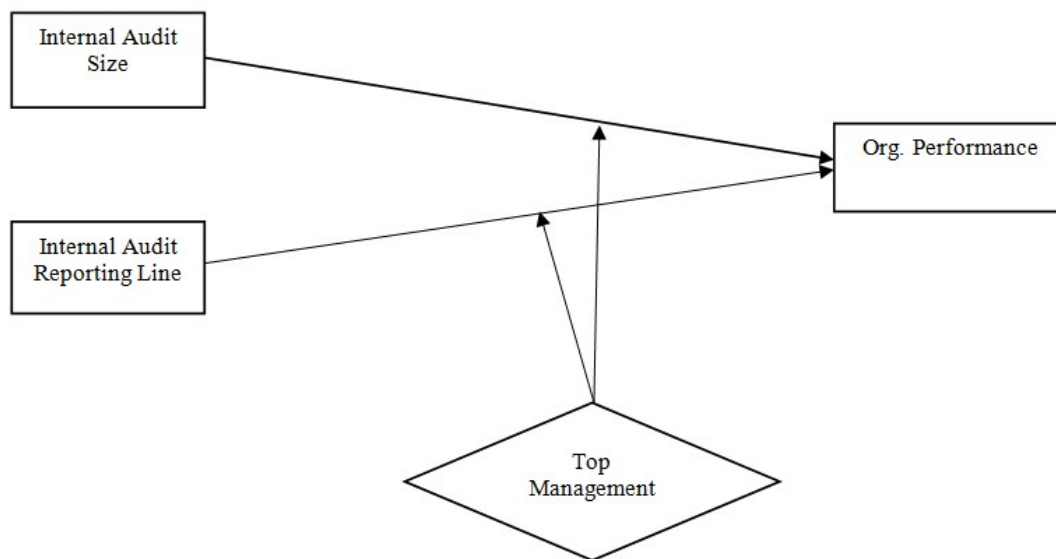


Figure 1: Research Framework

3.1 Methodology

3.1.1 Population

The population of the study comprises of senior staff in the audit departments of forty (40) Federal universities across the thirty-six (36) states and Abuja in Nigeria having satisfied the NUC (2014) requirement. The population covers ten (10) most senior internal auditors with salary scale ranges from consolidated salary

structure of 07-15 selected from each of the university as respondents making a total of four hundred (400) respondents. The sample for the study was purposively selected as they are in the capacity to respond to questionnaire

3.1.2 Instrument of the Study

The instrument used in the study was self-developed and the items were generated from various sources. The instrument has two sections covering the sociodemographic variables of the respondents consisting of gender, age, number of years in service, designation, qualification, qualification and membership of professional bodies. However, the other section covers seven dimensions that consists of organizational performance, internal audit quality, internal audit competency, independence, size, timeliness of reporting and reporting line.

The instrument has a total of 47 items on 5 Likert scale that ranges from strongly disagree as 1 to strongly agree as 5. Construct validity was established through exploratory factor analysis (EFA). Items correlated on at least .3 with Kaiser-Meyer-Olkin measure of sampling adequacy .407, .698, .581, .332, .503, 393 and .503 for organization performance, Internal audit quality, competency of internal audit, reporting line of IA, Internal audit independence, Internal audit size and Top management support respectively above the recommended value of .5 (Hair 2010). The Bartlett's test of sphericity were also significant. Further to this, the communalities and anti-image diagonals correlation matrixes were all over .5. Also, confirming that most of the items shared some common variance with other items. Based on the overall indicators, factor analysis was carried out with no item deleted.

Principle components analysis was used in the process with a primary purpose of identifying and computes composite involvement scores for the underlying factors. The initial Eigen values demonstrates that the seven factors explained 2.044%, 2.842%, 2.487%, 2.342%, 3.385%, 3.452 and 3.195% respectively. In addition, varimax rotations were used in examining the factor solution of the factor loading matrix with 78.0% variance explained.

3.1.3 Analysis and Result

Table 1: presents the results for internal audit size consisting of four items with IAS5 having the highest value (M = 3.11; SD =1.15) followed by IAS2 (M =2.89; SD = 1.01) then IAS1 (M =2.71; SD =1.23) and the least is IAS12 (M =2.72; SD= 1.24). The findings indicate that the mean values ranges from 2.71 to 3.11 indicating that the mean values have satisfactory mean values.

Table 1: Internal Audit Size

| S/N | Item(s) | Mean | SD |
|-----|---------|------|------|
| 1 | IAS1 | 2.71 | 1.23 |
| 2 | IAS2 | 2.89 | 1.01 |
| 3 | IAS5 | 3.11 | 1.15 |
| 4 | IAS12 | 2.72 | 1.24 |

Table 2: indicates the mean values of internal audit reporting line with four items. RLIA is highest (M = 3.37; SD =1.11) followed by RLIA (M =3.17 and SD = 1.02) then (M =3.15; SD =1.03) while the least RLIA 1 (M = 2.83; SD = 1.18). The findings reveal that the mean values ranges from 2.83 to 3.37, indicating satisfactory level of mean values.

Table 2: Internal Audit Reporting Line

| SN | Item(s) | Mean | SD |
|----|---------|------|------|
| 1 | RLIA1 | 2.83 | 1.18 |
| 2 | RLIA2 | 3.17 | 1.02 |
| 3 | RLIA3 | 3.15 | 1.03 |
| 4 | RLIA7 | 3.37 | 1.11 |

Table 3: presents the mean values for top management support with 2 variables. The results reveal that IAS have the highest mean values (M =3.54 and SD =.950) and IARL have the mean values (M =3.34 and SD =1.01).The mean values ranges from 3.34 to 3.54 indicating that all the mean values have met satisfactory level.

Table3: Top Management Support

| SN | Item(s) | Mean | SD |
|----|---------|------|------|
| 1 | IAS | 3.54 | .950 |
| 2 | IARL | 3.34 | 1.01 |

Table 4: demonstrates the results for organizational performance. The results show that IAS has the highest mean value. The findings demonstrate that the mean values ranges from 3.66 to 4.20, indicating that all the mean values have met satisfactory level of means.

Table 4: Organizational Performance

| S/N | Item(s) | Mean | SD |
|-----|---------|------|------|
| 1 | IAS | 4.20 | .634 |
| 2 | IARL | 3.66 | .843 |

Factor Loading

Table 5: shows the underlying factors with the corresponding communalities, factor loadings and Cronbach Alpha values.

| SN | Item Statement | Communalities | Factor Loadings | Cronbach Alpha |
|-------|---|---------------|-----------------|----------------|
| IAS1 | The staff in the internal audit department of the university are adequate to carry out the routine and strategic audit functions. | .792 | .817 | .797 |
| IAS2 | All auditing functions that were approved in the audit plan are performed completely | .722 | .814 | |
| IAS3 | There are indications of outsourcing the function of internal audit staff in the University. | .778 | .815 | |
| IAS4 | The number of employees in internal audit is limited given the amount of auditing work planned and needing to be done in the near future. | .730 | .706 | |
| IAS5 | The internal audit department services/functions covers what is expected of it. | .712 | .786 | |
| IAS6 | Internal audit services in the university effectively coordinate and promotes cooperation with external auditors to accomplish task. | .633 | .614 | |
| IAS7 | Internal audit personnel are routinely rotated on assignments. | .658 | .575 | |
| IAS8 | Internal audit personnel do not have any conflicting operating responsibilities. | .851 | .842 | |
| IAS9 | Budgetary provision to internal audit department is adequate regardless of its size. | .559 | .643 | |
| IAS10 | Budgetary provision to internal audit department is based only on the number of audit staff. | .753 | .828 | |
| IAS11 | Management is not sufficiently aware of the need of internal audit as demonstrated by the small budget assigned to internal audit. | .766 | -.679 | |
| IAS12 | Internal audit department is large enough to successfully carry out financial and non-financial activities of the university. | .683 | .821 | |
| RLIA1 | Reporting line of internal audit supports internal audit independence with functional reporting to the audit committee of the university council and administratively to the Vice-Chancellor. | .827 | .884 | .710 |
| RLIA2 | The reporting level varies with the importance of internal audit findings | .791 | .866 | |
| RLIA3 | Internal audit reports and findings are adequately documented and are being considered for implementation by the chief executive. | .620 | .731 | |
| RLIA4 | Internal audit follow up implementation of corrective measures relating to audit findings. | .614 | .738 | |
| RLIA5 | The report and findings of internal audit influence management decision processes. | .441 | .686 | |
| RLIA6 | Internal audit department/unit is properly structured and functionally positioned to allow effective auditing operations and reporting relationship. | .673 | .686 | |
| RLIA7 | The council of the university is routinely updated with internal audit status and activity reports | .838 | .889 | |

Correlations

Table 6: indicates the correlations coefficients of the seven constructs. The results show that positive correlations

were found among the variables. The findings for the relationship between IA competence and organizational performance indicates IA size and organizational performance ($r = .477, p < .01$), IA reporting line and organizational performance ($r = .462, p < .05$), top management support and organizational performance ($r = .662, p < .05$), indicating significant relationships that internal audit competence, internal audit independence, internal audit size, internal audit reporting line, timeliness of internal reporting and top management support influence organizational performance. All the correlation coefficients are at 1% level of significance.

Table 6: Correlation

| | 1 | 2 | 3 |
|----------------------------|--------|--------|---|
| Size | 1 | | |
| Reporting | .396** | 1 | |
| Organizational Performance | .477** | .462** | 1 |

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

Multiple Regression and Hypotheses Testing

The avenue that neutrally assesses the degree and character of the relationship between independent variables and the dependent variable is the multiple regression analysis (Sekaran&Bougie, 2010). The regression coefficient uses to show the relative significance of each of the independent variable in explaining the variability of the dependent variable. Sekaran and Bougie, (2010) and Zikmund, et al, (2010), asserted that when independent variables are jointly regressed in an attempt to explain the variance in the dependent variable, the size of each (individual) regression coefficient will show how much an increase in one unit in the individual independent variable affects the dependent variable, taking into consideration of all the other individual variables and dependent variable cave in to multiple correlation coefficient.

This study used the regression analysis to test the research hypotheses. The analysis intends to examine the relationship between the predicting variables and the criterion variable. Hair *et al*, (2010), asserted that for the conduct of regression analysis, large number of sample is required and considered appropriate, and that the underlying assumptions of multiple regression analysis were fulfilled. The assumption includes among others, normality, linearity, multicollinearity, homoscedasticity which are normally investigated through the scatter plots and the normality probability plot in the regression standardized residuals.

Showing Regression result for Direct Relationship

Table 7: Regression Results for Direct Relationship

| | Unstandardized Coefficients | | Standardized Coefficients | t-stat | p-value | |
|----------------|-----------------------------|------------|---------------------------|--------|---------|---------------|
| | Coefficient | Std. Error | | | | |
| Constant | 1.729 | 0.150 | | 11.549 | 0.00 | |
| Size | 0.075 | 0.052 | 0.089 | 1.047 | 0.19 | Not Supported |
| Reporting | 0.007 | 0.036 | 0.011 | 0.187 | 0.85 | Not Supported |
| Mgt Support | 0.319 | 0.043 | 0.461 | 7.388 | 0.00** | Supported |
| R ² | 0.496 | Adj. R2 | .487 | | | |
| Prob. | 0.000 | | | | | |
| F-Stats | 50.29 | | | | | |
| Obs | 313 | | | | | |

* indicates statistical significance at 1%

** indicates statistical significance at 5%

Dependent Variable: Organizational Performance.

The result for individual regression analysis indicates internal audit size is not positively and significantly related to organizational performance ($\beta = 0.089, p = 0.19$). The result for individual regression analysis indicates that internal audit reporting line is not positively and significantly related to organizational performance ($\beta = 0.011, p = 0.85$).

Model Two: Showing the Regression Result for Moderating Relationship

Table 8: Regression Results for the Moderating Relationship

| | Unstandardized Coefficients | | Standardized Coefficients | t-stat | p-value | |
|----------------|-----------------------------|-------------|---------------------------|--------|---------|---------------|
| | Coefficient | Std. Error | Beta | | | |
| Constant | 1.077 | 0.524 | | 2.056 | 0.04 | |
| Size | -0.091 | 0.149 | -0.161 | -0.609 | 0.54 | Not Supported |
| Reporting | 0.096 | 0.162 | 0.149 | 0.590 | 0.55 | Not Supported |
| Mgt Support | 0.512 | 0.172 | 0.739 | 2.971 | 0.00** | Supported |
| IAS*TMS | 0.552 | 0.401 | 0.554 | 2.296 | 0.023* | Supported |
| RLIA*TMS | -0.018 | 0.048 | -0.154 | -0.381 | 0.70 | Not Supported |
| R ² | 0.55 | Adj. R2 .54 | | | | |
| Prob. | 0.000 | | | | | |
| F-Stats | 33.73 | | | | | |
| Obs. | 313 | | | | | |

* indicates statistical significance at 1%

** indicates statistical significance at 5%

Dependent Variable: Organizational Performance.

Table 8: shows multiple regression analysis was computed for the impact of the independent variables of internal audit size and top management support, internal audit reporting line on the dependent variable (organizational performance). The result for individual regression analysis indicates that interaction of internal audit size and top management support is positively and significantly makes impact on organizational performance ($\beta = 0.554$, $p = 0.023$), hence the hypothesis which states that there is significant relationship between interaction of internal audit size and top management support and organizational performance is supported. While, The result for individual regression analysis indicates that interaction of internal audit reporting line and top management support does not positively and significantly makes impact on organizational performance ($\beta = -0.154$, $p = 0.70$), hence the hypothesis which states that there is significant relationship between interaction of reporting line and top management support and organizational performance is not supported.

The relationships between the variables in the study were tested using Pearson Moment Correlation. The findings for the relationship IA size and organizational performance ($r = .477$, $p < .05$), IA reporting line and organizational performance ($r = .462$, $p < .05$), indicating significant relationships that internal audit size, internal audit reporting line, and top management support influence organizational performance. All the correlation coefficients are at 1% level and 5% level of significance.

4.1 Discussions

The finding shown that there is significant relationship between internal audit size and organizational performance. Resource dependence theory postulates that larger board size would result in superior corporate performance owing to the various skills, knowledge, and expertise contributed into the boardroom debate. In addition, large boards could also offer the diversity that would assist companies to obtain critical resources and minimize environmental risks (Ghazal, 2010). The finding of the study demonstrates that internal audit independence is a fundamental issue of importance as it influences organizational performances. The independence remains crucial in providing a better result to the organizations. As argued by Mort Dittenhofer (2001) audit reporting is probably one of the most sensitive part of an organization. The finding indicates that an internal audit department must be independent in terms of personnel and operational activities of an organization.

The internal audit size (IAS) is fundamental to performance improvement to organisations. Size refers to the number of committee sitting in the internal audit department. Different scholars have explained the varying roles of size in the committee. Firsteberg and Malkiel (1994) argued that greater concentration, participation, authentic interaction and discussion are obtained with maximum of eight or less in a board. This is consistent with Shaver (2005) who argued that larger boards are often characterized by responsibility diffusion, leading to which leads to social malingering, promotes group fractionalization and reduces group commitment.

The positive correlation of internal audit size and organizational performance suggests that size of internal audit staff in the university is prerequisite for achieving the mandate of the department and performance as well. The size of internal audit staff determines effective division of labour and allocation of functions

properly. The size of staff enables audit department to comply with auditing regulations thereby achieving the expectations and subsequently achieving high performance in the university collectively.

However, the positive correlation of internal audit size and organizational performance suggests that size of internal audit staff in the university is prerequisite for achieving the mandate of the department and performance as well. The size of internal audit staff determines effective division of labour and allocation of functions properly. The size of staff enables audit department to comply with auditing regulations thereby achieving the expectations and subsequently achieving high performance in the university collectively.

The correlation between reporting lines was also positive but moderate indicating that reporting line influences moderately organizational performance of the university. The finding suggests that reporting line remain a significant factor in determining organisational performance.

This reveals that time taken to provide financial report on the financial dealings in the university make any effect to the internal audit function and the system in general. The significant relationship is clear manifestation that determinants of internal audit department quality in relation to the performance have been duly cater for and are interwoven. Therefore, size of the internal audit staff in the university significantly influences the outcome of the organizational performance in Nigerian universities.

5.1 Conclusion

The correlations between size, and reporting line have ranged from weak to moderate correlations signifying that the independent variables influence the dependent variable (organisational performance). The study provides strong evidence of the relationship between size, reporting line and organizational performance in the Nigerian University. The internal audit department is very important inside a university as it is regarded as the key element in the application of accounting systems and this in turn, helps in evaluating the work of the department as well as the university as a whole. The internal audit remains fundamental in organizational accounting as it is the department that ensures financial regularity in the university. The efficiency of internal audit helps develop the work of the university because the quality of financial transactions reflects quality of the internal audit department in Nigerian universities. Internal audit department is a significant part of the structure in the in the university as it covers the activities of oversight by the managements and audit committees to ensure credible financial reporting process (Public Oversight Board, 1994). The study provides evidence of the relationship between internal quality factors and organisational performance and based on that the study recommended that universities in Nigeria should ensure functionality of internal audit quality factors being fundamental ingredients in attaining organisational performance.

6.1 References

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