

INTERNAL AUDIT FUNCTIONS AND FINANCIAL PERFORMANCE: A STUDY OF SELECTED LOCAL GOVERNMENT IN BENUE STATE

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ABSTRACT

*This study examines internal audit functions and financial performance of selected local governments in Benue State, Nigeria. The specific objectives include investigating the effect of internal audit, monitoring and control activities and audit risk management on financial performance in the local government system. The study used a descriptive research design and considered 142 staff of finance departments and Audit units as well as the Personnel departments. However, only a sample of 126 staff responded which represented 88.73% of the population. Primary data was collected with the help of a five-point Likert scale structured questionnaires distributed across the seven (7) Local Government Areas (LGAs). Data were analyzed using SPSS version 16.0, with reliability confirmed via Yamane's and Pearson's correlation coefficient. The analysis includes frequency distribution of demographic profile data, mean statistics, correlation analysis, and regression analysis to examine the relationship between internal audit, monitoring and control activities, audit risk management on financial performance. The study reveals that, Pearson's correlation coefficient of financial performance and internal audit was at ($r=0.811^{**}$, $p\text{-value} = 0.000$), financial performance and monitoring and control activities at ($r=0.908^{**}$, $p\text{-value} = 0.000$), while financial performance and audit risk management at (0.952^{**} , $p\text{-value}=0.000$), these results shows that internal audit, monitoring and control activities and audit risk management significantly influence financial performance positively. Implying that the Null Hypothesis was rejected and the alternative Hypothesis was accepted since $p<0.05$. The study recommended independent of internal auditor, a robust monitoring and control activities should be implemented to optimize resource allocation and program execution. Regular evaluations of these processes can help identify gaps and weaknesses, enable continuous improvement.*

INTRODUCTION

The modern audit has evolved significantly from its origin as a simple fraud-detection practice to a sophisticated, technology-driven process focused on risk assessment and assurance. Early audits were manual and focused on verifying transactions. Today, audits leverage data analytics, Artificial Intelligence (AI) and other technologies to enhance efficiency, accuracy, and the ability to identify potential risks and irregularities. Internal audit gained prominence in the mid-20th century as organizations recognized the importance of effective internal controls, risk management, and governance (Sawyer, 2002; Institute of Internal Auditors, 2021; Warren & Shelton, 2010; DeZoort & Harrison, 2016). The role of internal auditors expanded beyond financial auditing to include operational audits, compliance audits, and evaluating internal processes. To provide consistent guidelines and professional standards for internal auditors, the IIA developed the International Standards for the Professional Practice of Internal Auditing Standards.

Internal audit is relevant in efficient utilization of resources, control misappropriation and combat fraud and misapplication of the resources of a company or organisation (Saidin, 2014). Internal Auditing applies principles in an organization to ensure efficiency in the growth and development of a company leading to sustainable financial conditions. The Institute of Internal Auditors (IIA), 2021, defines internal audit as “an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization.” The objective of internal auditing is to assist members of the organization in the effective discharge of their responsibilities. It is a systematic investigation and appraisal of transactions procedures, operations and result in financial statements (Anichebe, 2010).

Unegbu and Obi (2012) see internal audit as part of the internal control system put in place by management of an organization to ensure adherence to stipulated work procedure and as aid to management for smooth administration, control cost minimization; ensure capacity utilization and maximum benefit derivation. It is a control which measures, evaluates and reports upon the effectiveness of internal control, financial and otherwise, as a contribution to the efficient use of resources within an organization” Mu`azu (2012). To the view of Anao (2012), internal audit provides an independent and objective review and advisory service to provide assurance to the chief Executive and/or Board that the entity’s financial and operational controls designed to manage the organization’s risks and achieve the entity’s objectives are operating in an efficient, effective, economical and ethical manner; and assist business performance.

It is therefore an undeniable fact that, the evolution of modern internal auditing has brought a lot of benefits of internal audit functions on financial performance to any organization being it a private or public setting. The Local government as a segment of the public sector is the third tier of government in Nigeria. At that level, the authority is entrusted with public resources and charged with the task of ensuring their proper utilization. To optimize the utilization of resources entrusted to the officials, laws and regulations are enacted to control expenditures. To ensure adherence to financial regulations, laid down procedures, policies and plans, internal audit units are established. According to the Institute of Internal Auditors (1991) as cited by Mu`azu (2012), the Internal Audit is expected to review the means of safeguarding assets and where appropriate, verify the existence of such assets.

Internal audit being a unit in any establishment set up by the management of an organization for the review of internal control system as a service to the organization. The objective is to assist members of the organization including those in management and the board in the effective discharge of their responsibilities. To this end, internal auditing furnishes management of local governments with analysis, appraisals, recommendations, counsel

information concerning the activities reviewed. The survival of every organisation depends on its effective and efficient utilisation of resources (both financial and non-financial). Despite the fact that internal audit exist in various local governments with internal control system in place, the act of financial crime which hinders performance still continue e.g. fraud irregularities and even breaches of other control and no any strong measures being taken to prevent such occurrences. However, the objective of this paper is to review the functions of the internal audit unit on the financial performance at the local government level with particular reference to selected Local government in Benue State.

Statement of the Problem

The Local governments in Benue State are currently grappling with severe financial constraints, leading to significant challenges in fulfilling its fundamental responsibilities, with widespread corruption and mismanagement of public funds severely undermining performance in various sections of the system. High-profile cases, such as the embezzlement of funds intended for local projects in states like Kogi, Oyo, and Kano, highlight the systemic nature of the problem (Enweremadu, 2012, Manjo, Manjo, Yu2024), For instance, in Benue State the Nigerian Economic and Financial Crimes Commission (EFCC) recently invited the Chairman on Bureau of Local Government to appear before her Commission for questioning on misappropriation of local government funds. The Commission has also documented numerous instances of local government officials misappropriating funds earmarked for infrastructure and community development, further eroding public trust and limiting the effectiveness of governance structures (Aigboduwa & Awe, 2020; Adeleke& Oni, 2018; Oni & Adejuwon, 2025). In response, regulatory bodies in developing nations have increased demands for more comprehensive reporting on governance and internal audit functions to enhance transparency and accountability (Adejare et al., 2019).

Despite these regulatory efforts and extensive scholarly attention, local governments in Nigeria particularly in Benue State continue to underperform, in critical areas such as basic education, healthcare delivery, infrastructure development, security and economic empowerment initiatives for youths and women. Scholars have identified several contributing factors, including inadequate resource allocation, weak governance frameworks, rampant corruption, and ineffective internal audit functions (practices) (Akinyemi et al., 2021; Aigboduwa & Awe, 2020; Epor, Yua, & Iorember, 2024). For instance, a study on local governments in Nigeria found that less than 40% of allocated funds reach their intended projects due to financial mismanagement and corrupt practices (Adeleke & Oni, 2018).

To bridge the gap, this study aims at examining Internal Audit functions and financial performance of selected local government system in Benue State, Nigeria. A mixed-methods approach will be employed, utilizing primary data collection through surveys design and in-depth interviews. The study instruments designed to capture insights from both local government staff and community members, ensuring a holistic assessment of internal audit mechanisms.

Objective of the Study

The main objective of this study is to examine internal audit functions and financial performance of selected Local government in Benue State. The specific objectives include to:

1. Evaluate the extent to which Internal Audit functions in line with the Financial Memorandum.
2. Investigate the impact of monitoring and control activities on financial performance of selected Local governments in Benue State.

3. Determine the influence of Audit Risk Management towards financial performance in the selected Local government in Benue State.

Research Questions

1. Does Internal Audit functions in line with the Financial Memorandum of local government?
2. Do monitoring and control activities have impact on financial performance in the local government?
3. Does Audit Risk Management have significant influence towards financial performance in the local government?

Research Hypotheses

- H₀₁: Internal audit at the local government does not functions in line with the financial Memorandum
- H₀₂: Monitoring and control activities have no impact on financial performance in the local government
- H₀₃: Audit Risk Management has no significant influence towards financial performance in the Local government.

Literature Review

The Concept of Internal Audit

The Internal audit function has received increasing attention as an important component of government financial management and a tool for improving the performance of the government sector, (Diamond, 2002 and IFA, 2001), Governing bodies of public sector entities need to ensure that an effective internal audit function is established as part of the framework of control. Control mechanisms are those processes set up to monitor and to direct, promote or restrain the various activities of an organisation for the purpose of seeing that the objectives are met. It is an indispensable management tool for achieving effective control in both public and private organizations.

Auditing functions of local government has a vital role in ensuring that effectiveness and efficiency is maintained in the local councils. Unegbu and Kida (2011) defined internal audit as “an aspect of the internal control system established by management of an organization in order to ensure proper compliance with the stipulated policies and procedure in order to achieve management objectives”. This definition indicates that the internal auditor is part of internal control system established within the organization with the aim of evaluating the efficiency and effectiveness of other controls established by management.

According to Mu’azu, (2012), internal audit is an additional safeguard for proper financial control in the public sector. Each ministry, parastatals and local government is expected to establish an internal audit division. The internal audit is responsible for the audit of all financial transactions by carrying out a continuous examination of all accounting books and records maintained in the organisation with a view to checking or detecting fraud and correcting errors. It is concerned with the examination of the system and procedure in place so as to ensure their conformity with the regulation, as the case may be, that the system of internal control is adequate and that it is continuously operating in accordance with government regulations. Internal audit is expected to be independent and directly responsible to the chief executive.

From all the above definitions, internal audit can be seen as independent appraisal established within the organization with the aim of reviewing the effectiveness and efficiency of the activities of an organization, ensuring compliance with established regulations, evaluation of risk management and internal controls system of the organization.

Internal Audit function in the Public Sector

Internal audit functions play a crucial role in promoting accountability, transparency, and effective governance within the public sector (Oni & Adejuwon, 2025). It helps ensure transparency, accountability, and the efficient use of public resources (Vintar & Kosir, 2013). In Nigeria, internal audit functions are responsible for evaluating and monitoring the adequacy and effectiveness of internal controls, risk management processes, and governance practices within government institutions (Ojo, 2019). The effectiveness of internal audit functions in the public sector depends on several factors, including organisational culture, leadership commitment, and resource allocation (Hazaea & Zhu, 2022). Adequate staffing, continuous professional development, and independence are essential elements for ensuring the credibility and effectiveness of internal audit functions (Nerantzidis et al., 2022).

The integration of technology and data analytics tools can enhance the efficiency and effectiveness of internal audit processes by enabling real-time monitoring, predictive analysis, and risk-based auditing (Kasztelnik & Gaines, 2019). Additionally, collaboration with external audit agencies, oversight bodies, and stakeholders can strengthen oversight and accountability mechanisms within the public sector (Rahman, Meah, & Chaudhory, 2019). Internal audit functions contribute significantly to enhancing the performance of local governments in Nigeria across various units of local government system. By promoting accountability, transparency, and efficiency in resource management, internal audit processes improve governance outcomes and service delivery for citizens (Ouda & Al-Htaybat, 2017). However, the internal audit function also faces several challenges in fulfilling its objectives within the public sector governance context. These challenges can be seen as variables that affect the effectiveness of the internal audit function.

Financial Performance in the Local government

Financial performance in the local governments plays a critical role in ensuring the success of fiscal decentralization and sustainable regional development. As fiscal responsibilities shift from central to regional governments, the ability to measure and evaluate financial performance becomes increasingly important. According to (Mahsun 2013; Yekeen Ali, & Yua, 2021). the financial performance of Local government is an indicator of the degree of effectiveness of regional financial management in putting programs, work activities, or policies into place that will help the area achieve its goals. Performance measurement is a technique of evaluating accomplishment or success in implementing a work program to fulfill a mission (mission accomplishment) through commodities, services, or processes to obtain a result (Aswar et al., 2020; Putri et al., 2020; Wuave, Yua, & Yua, 2020). Local government has been defined by several scholars and writers as a political authority established by law to manage the affairs of local communities within a specific area. It is designed to operate within the limits of the law under which it is created (Hazaea & Zhu, 2022; Akwam, & Yua, 2021). Local government can also be understood as a process of devolution of power to local authorities to provide services of a local nature (Kasztelnik & Gaines, 2019; Soomiyol, Bwuese, & Yua, 2023). Furthermore, it is regarded as a grassroots-level government that serves as an instrument for rural transformation (Ouda & Al-Htaybat, 2017).

In Nigeria, the establishment of local government as a third-tier administrative structure was aimed at decentralising governance, bringing government closer to the people at the local level, and facilitating social services critical to national development. The local level of government is the most accessible tier for citizens, serving as the branch responsible for addressing the needs of its constituents (Huy&Phuc, 2020). Through this branch of government, citizens are empowered to participate in the planning and design of public spaces (Nerantzidis et al., 2022). The primary objective of local government is to address the unique needs and interests of communities within its jurisdiction, including public services, land use planning, infrastructure development, and community well-being (Kayode & Oyeshola, 2021).

Audit Risk Management on Financial Performance

Audit Risk Management aims to enabling the auditors to perform to the best of their abilities to enhance performance (Aslam et al., 2022) alludes that audit risk management enhances financial performance through recruitment of competent leadership and skilled staff to be placed in clearly developed job descriptions, identified job requirements and work objectives based on performance standards, outcomes and measures. It also asserts that audit risk management enhances financial performance (Iumba et al., 2024). Audit Risk Management dimension also emphasizes on professional audit standards in order to monitor the performance of an Organisation by comparing the actual performance and the desired performance, and any identified variations are investigated upon, and actions taken (K. Moses et al., 2023).

Methodology

Research Design

The researcher used a descriptive research design, where responses and views held by the participant in the research were collected and studied. Descriptive research design is employed to study a population, by selecting samples to find and analyze occurrences at any given point in time (Mukiibi and Kabanda, 2025). The utilization of the chosen design was justified for the study as it took into account the current views and existing connections, and in addition the examination of variables under study.

The study used structured questionnaires for data collection, which was designed to capture the participant's perception and knowledge on internal audit functions and financial performance: a case study of selected local government areas in Benue State. Once information on the current situation was obtained; correlation analysis was used to investigate the relationship between variables. The main advantage and purpose of using descriptive statistics is to change information or data into numerical form for ease of analysis and interpretation.

Population of the Study

According to Otieno (2015) a population in the context of research describes the sample population the researcher has chosen, through a sampling process to collect data from and generate findings from, so that the researcher may generalize results of the research to the entire population. The population was 142 workers in seven local governments of Benue State. The study population encompassed all the three independent variables considered. The choice of the LGA was based on the fact that it was also easier for the researcher to carry out data collection from this target population since he resides in the chosen state.

Table 3.1: Population Distribution

Local Governments	Population	Percentage (%)
Buruku	20	14.1
Gboko	25	17.6
Tarka	22	15.4
Guma	15	10.6
Gwer East	15	10.6
Makurdi	30	21.1
Gwer West	15	10.6
Total	142	100

Source: Field survey, 2026

Sampling Technique

Sampling techniques are methods used to select a sample from the population by reducing it to a more realistic and manageable size. According to De Leeuw *et al.*, (2008) these sampling techniques are used when inferences are made about the target population.

Convenience sampling was employed to select the local government areas which had the three departments.

Sample Size

Determining the sample size is the act of selecting the number of observations to include in a statistical sample. The researcher used Yamane's (1967) formula for calculating samples size. n will represent the sample size, N will refer to the size of the population and e is the margin of error. A 95% confidence level and $e = 0.05$ are assumed for Yamane's (1967) equation shown below.

$$n = \frac{N}{1 + N(e)^2} \quad (1)$$

Table 3.2: Sample Distribution

Strata	Population (N)	Formula for sample size	Sample size (n)
Finance/Account	50	$n = \frac{N}{1 + N(e)^2}$	44
Audit Department	47	$n = \frac{N}{1 + N(e)^2}$	42
Personnel Department	45	$n = \frac{N}{1 + N(e)^2}$	40
Total	142		126

This comprised of local government areas in the areas of internal Audit, Monitoring and control activities and Audit risk management. The researcher had chosen this sample size of 142 workers in order to effectively manage the responses due to time and resource constraints and also to ensure a critical analysis of the phenomenon under study.

Instruments for Data Collection

The researcher used a questionnaire for the primary data collection tool that was developed based on the research questions discussed in earlier chapters. The Questionnaire is preferred as the research tool for data collection, since they are found to be stable, consistent, and uniform offering a considered and objective view of issues, which therefore will allow the development of valid inferences from the study (Babbie & Benaquisto, 2009). The questionnaires was used to seek information on three important areas: demographic profile, internal audit functions, monitoring and control activities and audit risk management. The questionnaire includes a five-point Likert scale having the ratings of “strongly agree (5), “Agreed” (4), undecided (3), strongly disagree (SD) and Disagree (E).

Validity of the Instrument

The validity of the content was guaranteed by the backing of individuals who are experts in the given field of study (Gay, 2002). The research data collection tool was validated by the expert knowledge of the supervisor and other experts who will validate the questionnaire. Each respondent was provided with a copy of the questionnaire, explained how the questionnaire will be filled out and collected. This allowed for sufficient time to fill up the questionnaire without interfering with their work. Their responses formed the basis for the analysis and subsequent discussions.

Procedure for Data Collection

A letter of introduction was collected from the course coordinator, distance learning centre Ahmadu Bello University, Zaria. This facilitated the access to the respondents and enabled the researcher to gather necessary information that would answer the raise research questions.

The researcher personally administers the copies of the instrument. This was done through the head of the various Local government secretariat selected as sample for this study in Benue State. The researcher used two weeks for instrument distribution and collection.

Procedure for Data Analysis

According to (Langkos, 2014), data analysis procedure includes the process of packaging the collected information putting them in order and structuring its main components in a way that the findings can easily and effectively communicated. Data analysis was done by using SPSS, 16.0 at three levels. This aimed at describing demographic characteristics of respondents. The relationship was determined using Pearson correlation analysis using the formula below.

$$r_{xy} = \frac{n \sum xy - \sum x \sum y}{\sqrt{n \sum x^2 - (\sum x)^2} \sqrt{n \sum y^2 - (\sum y)^2}} \quad (2)$$

Where; r_{xy} is the Pearson correlation coefficient of x (independent) and y (Dependent) variable.

Finally, the net impact of the variables was established using a simple linear regression analysis controlling for the other variables in the study. It was further used to examine the strength of relationship for the overall regression model.

$$FP = \beta_0 + \beta_1 IA + \beta_2 MCA + \beta_3 ARM + e \tag{3}$$

Where

FP = Financial Performance

IA = Internal Audit

MCA = Monitoring and Control Activities

ARM = Audit Risk Management

Results and Findings

The analysis of data collected through a structured likert-scale questionnaire administered to 126 respondents. The analysis includes frequency distribution of demographic profile data, mean statistics, correlation analysis, and regression analysis to examine the relationship between internal audit, monitoring and control activities, audit risk management and financial performance.

Demographic profile of Respondents

Table 1: Demographic Profile Data

Demographic profile	Category	Frequency	Percent (%)
Gender	Male	75	59.52
	Female	51	40.48
Age	15-20	09	07.14
	21-30	15	11.90
	31-40	41	32.54
	41-50	37	29.37
	51-60	24	19.05
Academic Qualification	SSCE	24	19.05
	ND	48	38.10
	NCE	04	03.17

	BSc/HND	32	25.40
	MSC	13	10.32
	PhD	05	03.97
Professional Qualification	NONE	102	80.9
	ANAN	15	11.90
	ACA	03	02.38
	APAN	06	04.76
Department	Personnel (Admin)	22	17.46
	Finance	55	43.65
	Audit	49	38.89
Year of Service	1-4 years	0	0
	5-10 years	12	09.52
	11-15 years	36	28.57
	16 and above	78	61.91

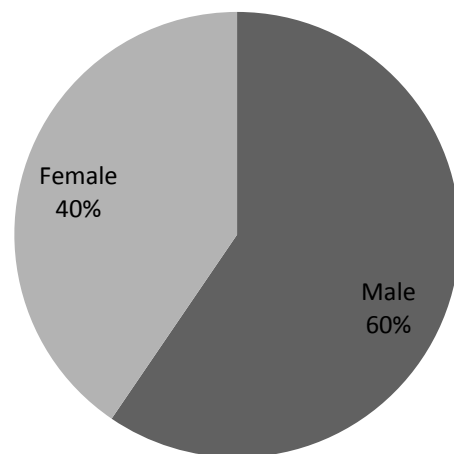


Figure 1: Pie Chart of Sex of Respondents

Figure 1 shows that 75 (60.0%) of respondents were males. While 51 (40.0%) were females. This implies that significant number of the respondents is males and there exist a weighty gender imbalance among workers in Benue State.

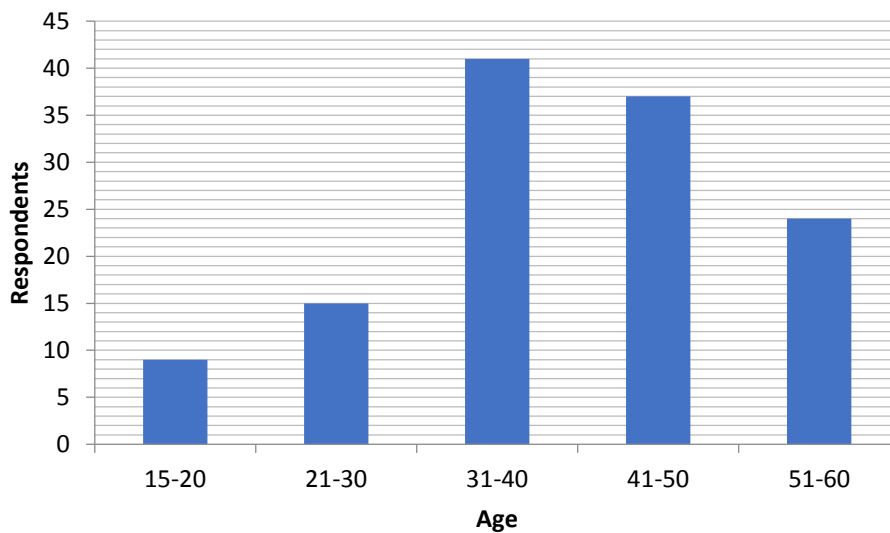


Figure 2: Bar Chart of Age of Respondents

Figure 2 shows that 9 (7.14%) of respondents were from 15-20 years, 15(11.9%) were 21 – 30 years old, 41(32.5%) were between 31 to 40 years, 37(29.4%) were between the ages of 41 to 50 years and 24(19.0%) were between the ages of 51 to 60 years. A significant number of respondents were between the ages of 31 to 40, the result implies that a significant number of respondents have good knowledge on financial performance.

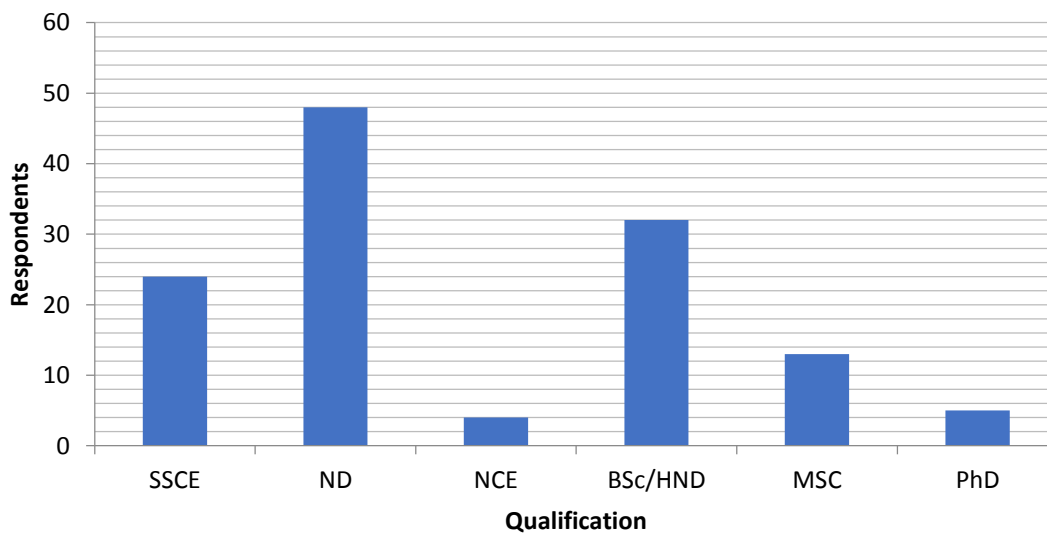


Figure 3: Bar Chart of Qualification of Respondents

From figure 3, the findings shows that 24(19.0%) had SSCE, Majority of the respondents had attained ND 48(38.10%), few of the respondents had attained NCE and PhD 4(3.17%) and 5(3.97%) respectively, 13(10.32%) respondent had an M.Sc/MBA certificate and 32(25.40%) had a BSc/HND degree. None of the respondents had attained primary as their highest level of education. This implies that most of the respondents were educated and could answer questionnaires rightly for the purposes of getting reliable results of the study.

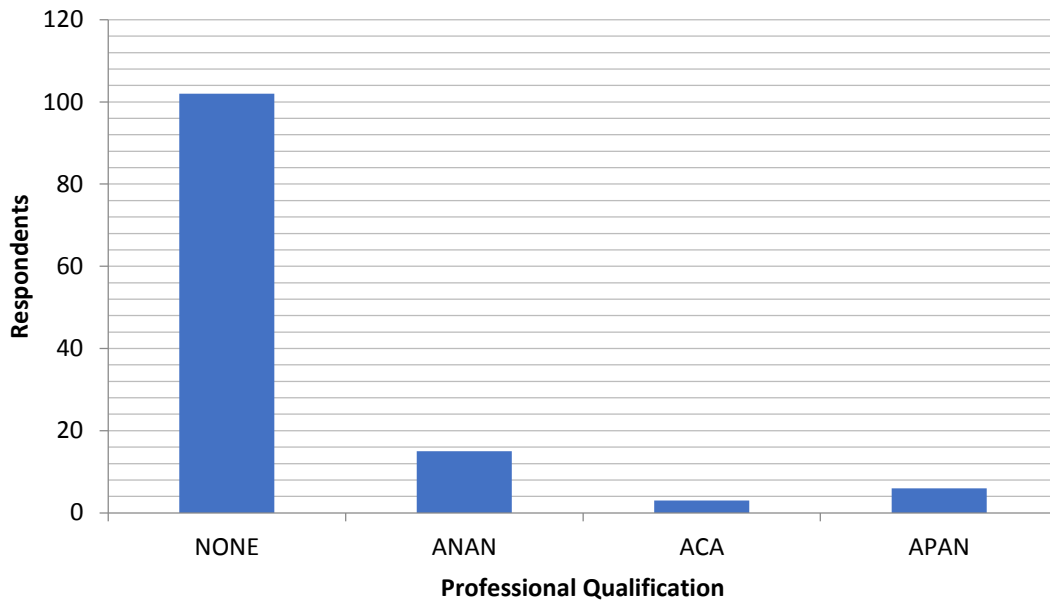


Figure 4: Bar Chart of Professional Qualification of Respondents

Figure 4 shows that majority of the respondents had no professional qualification 102(80.9%), 15(11.90%) of respondents registered with ANAN, 3(2.38%) were members of ACA, and 6(4.76%) belonged to APAN.

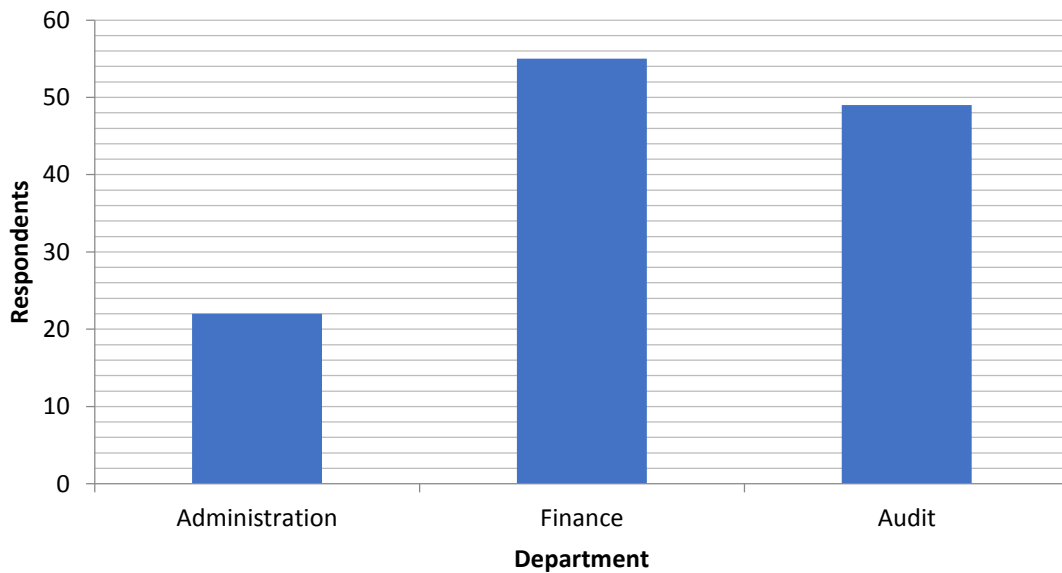


Figure 5: Bar Chart of Department of Respondents

Figure 6 shows that majority of the respondents were from finance department 55(43.65%), followed by audit department 49(38.89%) and administrative department had least staff of 22(17.46%). This implies that most of the respondents had good knowledge of financial performance.

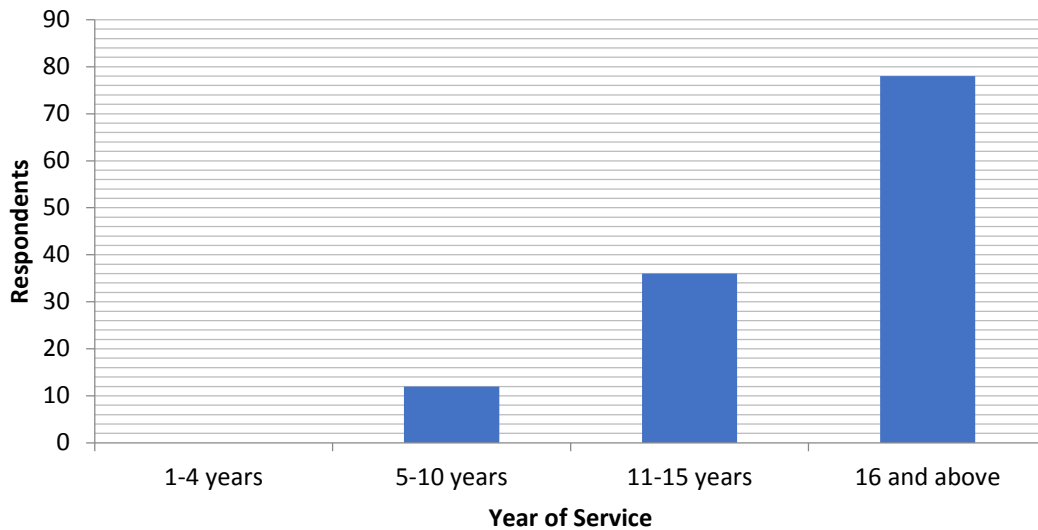


Figure 6: Bar Chart of Year of Service of Respondents

Figure 6 represents the respondent's working experience. 0(0.00%) had from 1-4 years of work experience. 12(9.52%) had 5 to 10 years of experience in work. While 36(28.57%) of respondents had working experience from 11 to 15 years on the job. Finally, 78(61.91) respondents had 16 years and above experience on the job. It shows that well qualified and experienced personnel constituted staff members.

Data Presentation and Analysis

Table 1: Analysis of data collected on question one: Does Internal Audit functions in line with the Financial Memorandum of local government?

Questions	SA	A	UN	SD	D	Mean	S.D
1. Does the local government authority adopt International Public Sector Accounting Standard (IPSAS) in the presentation of final financial statements	20	25	6	32	43	2.579	1.514
2. Do local government authorities adhere to sound financial management practices so that accountability, efficiency, value for money and improved service delivery is achieved	18	30	_	38	40	2.587	1.492
3. Do you believe that management allowed financial memorandum to be used in evaluating performance	24	21	_	44	37	2.611	1.523
4. Do internal audit procedures assist in facilitating financial performance in local government system	47	30	_	37	12	3.500	1.473
5. Is the internal audit department well-staffed	20	11	2	53	40	2.349	1.416
6. Have there been proper accountability, transparency and adequate financial record	21	23	_	43	39	2.555	1.499

Source: Field Survey, 2026

Table 2. Analysis of data collected on the question two: Do monitoring and control activities have impact on financial performance in the local government?

Questions	SA	A	UN	SD	D	Mean	S.D
1. Has there been proper evaluation of internal control system in the councils	45	30	_	26	25	3.349	1.601
2. Does internal control measures used by your Local Government Council helps in eliminating fraudulent activities	44	35	2	25	20	3.460	1.521
3. Has there been independence of internal auditors in year local government councils	20	30	4	39	33	2.722	1.473
4. Does the existence of functional internal audit unit significantly curb and prevent incident of fraud in your local government council	45	36	_	21	24	3.452	1.567
5. Do you believe that internal audit control significantly improve the financial performance of local government	37	44	_	23	22	3.396	1.502

Source: Field Survey, 2026

Table 3. Analysis of data collected on the question three: Does Audit Risk Management have significant influence towards financial performance in the local government?

Questions	SA	A	UN	SD	D	Mean	S.D
1. Does risk based internal auditing impacts on internal audit function to boost risk management and control	61	33	_	12	20	3.746	1.509
2. Does risk based internal auditing influences accountability and enhances accuracy of financial statements thereby influencing financial performance in the local government	63	30	_	20	13	3.873	1.436
3. Does audit risk management in the local government system enhanced audit quality	54	38	3	21	10	3.833	1.349
4. Does audit risk management been able to optimize internal control evaluations in the local government	40	36	_	30	20	3.365	1.521
5. Do internal auditors continually review the internal control system of the local government council.	53	33	_	21	19	3.634	1.526
6. Does local government council applying risk based approaches to improve financial reporting accuracy	30	28	4	39	25	2.992	1.515

Source: Field Survey, 2026

Table 4. Analysis of data collected on the question four: Financial performance in the local government councils.

Questions	SA	A	UN	SD	D	Mean	S.D
1. Does financial performance provides completeness of all transactions undertaking by local government council for assets, products and services.	44	50	_	20	12	3.746	1.338
2. Does financial performance reflects the outcomes of internal control mechanisms, involving the receipt and disbursement in the local government?	53	41	2	_	30	3.690	1.582
3. Does financial performance makes available, vital information for good control and prudent management of activities in the council.	49	55	4	3	15	3.952	1.264
4. Does financial performance give evidence of accountability for the stewardship of resources to evaluate growth.	38	68	3	_	17	3.873	1.239

Source: Field Survey, 2026

Table 1, 2, 3, 4 above were presented to show the descriptive statistics on items relating to internal audit, monitoring and control activities and audit risk management. The findings as presented above indicate that the entire mean is between 2 and 4; implying that all the respondents were in agreement with the relationship between internal audits, monitoring and control activities and audit risk management on financial performance. The standard deviation for all the study elements is shown to be less than 2.0, indicating that it was a lower deviation from the mean and as such supporting the results that internal audit, monitoring and control activities and audit risk management influences financial performance.

Table 5: Correlation Coefficients of FP against IA, MCA and ARM

	FP	IA	MCA	ARM
FP Pearson Correlation	1	.811**	.908**	.952**
Sig. (2-tailed)		.000	.000	.000
N	126	126	126	126
IA Pearson Correlation	.811**	1	.935**	.884**
Sig. (2-tailed)	.000		.000	.000
N	126	126	126	126
MCA Pearson Correlation	.908**	.935**	1	.973**
Sig. (2-tailed)	.000	.000		.000
N	126	126	126	126
ARM Pearson Correlation	.952**	.884**	.973**	1
Sig. (2-tailed)	.000	.000	.000	
N	126	126	126	126

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

Source: Primary Study Data, 2026

Table 5 above represents Pearson's correlation coefficient of Financial performance and internal audit ($r=0.811^{**}$, $p\text{-value}=0.000$), financial performance and monitoring and control activities ($r=0.908^{**}$, $p\text{-value}=0.000$), financial performance and audit risk management (0.952^{**} , $p\text{-value}=0.000$), showing that internal audit, monitoring and control activities and audit risk management significantly influence financial performance positively. Implying that the Null Hypothesis was rejected and the alternative Hypothesis was accepted since $p<0.05$.

Table 6: Regression analysis on financial performance and IA, MCA, ARM

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.481	.403		6.153	.000
IA	-.032	.048	-.052	-.654	.514
MCA	-.172	.113	-.246	-1.525	.130
ARM	.751	.074	1.237	10.136	.000

Regression Model

$$FP = 2.481 - 0.032(IA) - 0.172(MCA) + 0.751(ARM) \quad (4)$$

The regression analysis presented in Table 6 examines the relationship between the internal audit, monitoring and control activities, audit risk management and financial performance. The results from the model indicate that the coefficient for the constant term is 2.481, with a standard error of 0.403. This suggests that when internal audit, monitoring and control activities and audit risk management are not taken into account, financial performance maintains a baseline value of 2.481. The independent variables, internal audit, monitoring and control activities, audit risk management has an unstandardized coefficient (B) of -0.032, -0.172, and 0.751 respectively, with a standard error of 0.048, 0.113 and 0.074 respectively. This means that for every unit increase in internal audit, monitoring and control activities and audit risk management, financial performance is expected to increase by -0.032, -0.172 and +0.751 units, holding all other factors constant. The standardized beta coefficient of -0.052, -0.246 and +1.237 further indicates the impact of internal audit, monitoring and control activities and audit risk management on financial performance. The t-value of 6.153, and $p\text{-value}=0.000$ indicates a strong relationship between internal audit, monitoring and control activities, audit risk management and financial performance.

Conclusion and Recommendations

Conclusion

The findings in the study concluded that internal audit, monitoring and control activities and audit risk management should be taken seriously so that it will create positive impact on financial performance as analyzed in the result above. This will play an essential role in enhancing the performance of the seven local governments in Benue State particularly and Nigeria at large. Internal audit, monitoring and control activities and audit risk management are strong independent variables identified as significant contributors to improved local financial performance. Again, auditor independence emerged as one of the most impactful factor, reflecting its importance in promoting transparency, accountability, and effective decision-making. Oni & Adejuwon (2025). These results highlight the need for continued

investment in strengthening internal audit functions to support the effective management and performance of local governments

Recommendations

Based on the findings therefore, the following recommendations are made;

1. There should be complete compliance by the Internal Auditors on financial issues as stated in the Financial Memorandum
2. There should be full implementation of Local government autonomy, however, being checked and monitored by Benue State Legislators.
3. Robust monitoring and control activities should be implemented to optimize resource allocation and program execution. Regular evaluations of these processes can help identify gaps and weaknesses, enable continuous improvement
4. Local governments internal auditor's independence should be strengthen. The local government should establish clear policies and frameworks that will minimize external influences and safeguard the objectivity of internal auditors. Ensuring their autonomy will foster greater transparency, accountability, and effective decision-making processes, which are vital for achieving sustainable financial performance.
5. Local governments should invest in ongoing training and professional development programs such as symposium, workshops, to equip auditors with the necessary skills and competencies to improve their performance. Enhancing their expertise will enable them to better address the challenges faced by local governments.

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