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Internal Audit Function and Risk Management in Nigerian Public Sector: A Perceived View of the Stakeholders

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Abstract:

The study investigated the level of risk exposure and ascertained the specific roles of internal auditing and risk management process in the public sector of Oyo State. It also examined the effects of internal auditing on project execution in the public sector and further determined the effects of internal auditing on fraud prevention. These were with a view to providing information on how internal audit help in assessing, managing and reducing risk in the public sector. The study used primary data. The population comprised all audit and management staff members of 41 agencies and tertiary institutions in Oyo State. The study purposively selected a total number of six (6) parastatals/corporations and total number of six (6) educational/tertiary institutions with independent internal audit departments.

The results showed that the current level of risk exposure in Oyo state public sector is high, financial (83.84%), operational (67%) and strategic risk (64.2%) and systemic risks (54.5%). The results ascertained specific roles of internal auditing and risk management process such as participation in the identification of emerging risks ($F = 5.11, p < 0.05$), provision of internal audit reports to improve or implement the risk management process ($F = 4.349, p < 0.05$) and provision of assurance through written internal audit reports over risk management process ($F = 4.194, p < 0.05$). The result also showed that internal auditing through its specific roles has significant effect on identification of emerging risks ($t = 1.73, p < 0.10$) on project execution in the public sector. The result further indicated that increasing the role of internal auditing in risk identification facilitates execution of public projects in the public sector in Oyo State through pre-auditing of all the transactions relating to the projects. The results also showed that presentation of internal audit reports to improve risk management process is also crucial to enhancement of project execution in the study area ($t = 1.67, p < 0.10$). Results of the determination of effects of internal auditing on fraud prevention showed that internal auditing through identification of emerging risks has a positive and significant ($z = 1.79, p < 0.07$) effect on fraud prevention. Also, provision of internal audit report through internal auditing exert a positive and significant effect on fraud prevention ($z = 2.66, p < 0.05$).

The study concluded that the internal audit has significant effect on risk management in the public sector of Oyo State.

Keywords: Internal audit function, risk management, public sector, stakeholders

1. Introduction

The financial impropriety resulting from fraud and corruption that pervades public sector in Nigeria gives much concern to all and sundry and cast doubt on the efficiency and effectiveness of internal control functions as a veritable tool in risk management process in the public sector. We investigated the specific exposure and perceived roles of internal audit on risk management process. Structured questionnaire was distributed on the relevant management staff of government agencies and parastatals to elicit and analyze information on their perception about the specific roles of internal audit in mitigating and minimizing risk in the public sector. Our analysis show that financial risk, operational risk and systemic risk are the major risk exposure in the public sector and indicates that internal audit function provide assurance and facilitate management process, report key risk factors and condole risk control activities in public sector. The economic crises which led to the loss of confidence and value in both Public and Private sectors have brought into focus Corporate Governance, Internal Auditing and Risk Management. The global economic problem witnessed by many businesses across the globe has shifted the attention of all and sundry to effective management of the public sector. In fact, the need for effective Internal Auditing has been emphasized by policy as a tool needed to ameliorate and reduce risk factors faced by business organizations. Internal Auditing is performed in diverse environments and within organizations that vary in purpose, size and structure. Today, the issue of Internal Auditing in the public sector is attracting a considerable attention of many policy makers across the globe. The focus has been on whether risk management and Internal Audit should be integrated, completely independent or be operated within a tailored structure that suits the particular requirement of the organization and enables coordinated interaction.

Public sector is defined by Bammeke (2008) as entities or organizations owned and funded by the government and it is also referred to as the part of the economy concerned with providing basic government services. The composition of Public Sector varies by Country, but in most countries the Public Sector includes such services as Police, military, public roads, public transit, primary education and healthcare for the poor. Throughout the World the internal audit function is being recognized as a key component of Corporate Governance and is becoming more important for achieving the business objectives of various organisations.

Today, an insurgence of recognition and organizational notoriety has been bestowed upon the Internal Auditing function due to the corporate financial crises that have occurred. Internal Auditing departments are consistently relied upon in today's business world to ensure control within an organization. They are utilized in many contexts from discoveries of inconsistencies in basic task functions in working with various departments to analyze processes (Aarens 1991). Internal auditing has become a factor of new accountability and control era. The manner in which public sector entities maintain internal control and how they are held accountable have evolved to require more transparency and more accountability from these organizations. Also is the emergence of the need to control and monitor the tax payer funds to ensure judicious spending and this trend has significantly affected how management implements, monitors and give reports on internal control.

Most organizations today perceive "Internal Auditing as an independent objective, assurance and consulting activity created to add value and improve an organization's operations. More importantly is the view that it helps an organization to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve effectiveness or risk management control and governance process. Internal Auditors' roles include monitoring, assessing, and analyzing organizational risk and controls; and reviewing and confirming information and compliance with policies, procedures, and laws. Working in partnership with management, internal auditors provide the board, the audit committee, and executive management the assurance that risks are mitigated and that the organization's corporate governance is strong and effective and when there is room for improvement, Internal Auditors make recommendations to enhance processes, policies, and procedures., An important step was the definition of Internal Auditing issued by the IIA in June 1999, which clearly states that "the internal auditing activity should evaluate and contribute to the improvement of risk management, control and governance".

In view of the fact that the world struggles with the after effects of financial crises, Internal Audit is adjudged to play a key role in the Management of public funds and mitigate risk in the public sector, It is expected to provide value for money in the use of resources, contribute to providing efficiency and effectiveness in the use of public fund and assist the public sector to control risks, safeguard assets and monitor compliance. The shift in attention to the Public Sector was due to the fact that government constitutes the largest single business entity in most economies of the world. The Public Sector became the stimulant of the economy through her expenditure pattern via various organs such as Ministries, Parastatals and other government agencies. (MDAs)

The Internal Audit function is therefore to deal with the assessment of control, good governance and risk management in the course of managing public funds. Managing risk is actually managing the organization in planning, organizing, directing, and controlling the organization's systems and resources to achieve objectives (Namee 2005). In a general term, it could be said that the accumulation of financial scandals, frauds, bankruptcies and more generally, Risk and Control Management failures over the past few years, like a splinter in the corporate foot, serve as a painful reminder that Internal Audit matters. This study is therefore borne out of the desire to examine the significance of Internal Audit in the effective risk management,

Today, the public sector in Nigeria is characterized by financial mismanagement. According to Namee (2006), the common characteristics of the public sector are mis-management, incompetence, or ignorance about risk management. However, there is an on-going campaign for the need to extend research focus to the Public Sector of developing economies characterized with high degree of financial impropriety and resources mis-management by many policy makers. For instance, Prof Minna Sunilduwt Sharma in 2013 expressed concern on the level of fraud and mis-management in the world and stated that fraud has geometrically increased over the recent decades and the professionals are of the opinion that the fraud is likely to expand. Generally, fraud has been seen as a threat to the effective utilization of resources and a matter of concern to the management. This is typically the experience in most developing nation particularly Nigeria where cases of embezzlement, fund diversion, teeming and lading, assets mis-management, stealing of government properties, issue of ghost workers, bloated wages and salaries, avoidable variations, unwarranted additional works, mis-appropriation of fund, failed contracts, inflated contrast, splitting of contracts to beat approved limit, circumvention of financial regulations and other government financial circulars are common in practice,

In spite of the presence of and establishment of Internal Audit Function in the various Ministries, Departments and Agencies of governments (MDAs), the incidence of corrupt practices such as fraud, cases of failed contracts, fund mis-management, inflated contract, contract abandonment are still prevailing and the rate is very alarming. This study is therefore motivated to examine the roles of Internal Audit Function in government establishment in Oyo State public sector and also to find out the extent to which Internal Audit Function is integrated in the risk management policy in government circle.

The research is intended to proffer answers to the question: What is the current status of risk in the public sector in Nigeria? Furthermore, the broad objective of this study is to determine the relationship between Internal Audit Function and Risk Management in the public sector in Nigeria while specific objective is to investigate the current level of risk exposure in Oyo State public sector. The study will be restricted to Internal Audit Function and Risk Management in

the public sector of Oyo State in the South-western part of Nigeria. The research will cover six parastatals and six Tertiary Institutions of owned by Oyo State government.

This research work is important because today, almost all organizations face challenges in information technology, business continuity, digital security, and knowing how, Internal Audit controls are integrated into information systems. Others have significantly increased the amount of commerce transacted over the web, and the amount of digital information that is shared with customers and between all parts of their supply chain. Failure to understand and manage the risks in these areas could result in technology failures that are crippling, if not fatal. In addition, privacy and security expectations have been elevated due to regulations and consumer demand. New skills sets are required to manage these areas and the demand for these skills increasing. As organizations design their risk governance process, they should ask if the current Internal Audit approach, staffing, and skills – as well as the existing focus on operating financial, IT, regulatory, or other risks –are appropriate in today's complex, global environment, if they need to be updated.

The research work will further be useful on how to minimize operational surprises and losses by identifying potential events, risks and responses in advance so that adequate measures would have been taken. Also, this work will be of immense use in the management and identification of the potential threats to the specific parts of the organization. In evaluation of opportunities by considering potential events as risks or opportunities will also be made. This research work is equally important because it will assist organizations in the allocation and utilization of capital and resources to their fullest potential (Goetzee 2004)

2. Literature Review

Internal Audit has been seen as a function in relation to monitoring. It is considered as a necessary part of organizational control. However, it is regarded as being useful in an inferior capacity to the achievement of primary corporate objectives; Internal Audit is an important element of the range of resources and mechanisms available to Public Sector Managers to assist them in meeting their responsibilities. The role of Internal Audit is to provide independent assurance that an organization's risk management, internal control processes and governance are operating effectively. Eniofe D.C, Mgbame C.J, Osa-Erabor V.E & Ehiorobo A.J (2013) define Internal Audit as a tool which provides an independent and objective review and advisory service to provide an 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 management in improving the entity's business performance.

In June 1999, the Institute of Internal Auditors gave a definition of Internal Auditing as "the internal auditing activity should evaluate and contribute to the improvement of risk management, control and governance" (Institute of Internal Auditors 1999).The Institute of Internal Auditors (2004) went further by stating that the internal audit activity should evaluate and contribute to the improvement of risk management, control and governance, recognizes the assurance and consulting role of Internal Auditing in corporate governance. The internal control moves within a greater scope of management philosophy and of practical application, and adds up value, offering at the same time a systematic scientific approach on the assessment and the improvement of the effectiveness of businesses. Courtermanche (1986) states that until recently, there were two basic conceptions of internal auditing, the traditional and the modern. The traditional conception of internal auditing views accounting as its true discipline, accounting control as its true concern and the board's audit committee as its true client. The modern conception of internal auditing does not reject the substance of the traditional conception, but seeks to extend it beyond its narrow confines. Modern internal auditing claims an unlimited scope, reserves the freedom to borrow from many disciplines and recognizes senior management as additional clients more or less distinct from the board's audit committee. According to Glein (2004), internal auditing is a management-oriented discipline that has evolved rapidly since the Second World War. Once a function primarily concerned with financial and accounting matters, internal auditing now addresses the entire range of operating activities and performs a correspondingly wide variety of assurance and consulting services. The development of internal auditing was fostered by the increased size and decentralization of organizations, the greater complexity and technological sophistication of their operations, and the resulting need for an independent, objective means of evaluating and improving their risk management, control and governance processes. Glein went further by providing the official IIA definition with its source that internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance. Picket (2005) is of the opinion that internal auditing is now a fully developed profession. An individual employed in internal audit ten years ago would find an unrecognizable situation in term of internal audit's role, the services provided and the approach followed. For full appreciation of internal auditing, it is necessary to trace these developments back and extend trends into the future. It is important to understand the roots of internal auditing and the way it has developed over the years. Internal auditing developed as an extension of the external auditing role in testing the reliability of accounting records that contribute to published financial statements. Cascarino and Van Esch (2005) stated that the profession of internal auditing, as many other professions has its roots in the Industrial Revolution of the nineteenth century. The enormous growth of the business sector found existing professionals scrambling to keep up. Specialists appeared, coping with such innovations as corporate law, banking provisions and bankruptcies. This led to the formation of a plethora of organizations and associations that, over a period of time, amalgamated into the British Institute of Chartered Accountants and the American Certified Public Accountants in their respective countries. The main difference between the two bodies at that time was the method of achieving professionalism in the two. The American body adopted a style that combined

the academic and business world, and produced professionals that were a hybrid of both. The British Institute took the more traditional English path of a trade apprenticeship outside the tertiary education system. The situation continued into the mid-1950s, with the two institutes dominating the business world in those countries and becoming an increasingly integrated part of corporate life, to the extent that almost half of all qualified professional accountants were employed outside audit firms. By the start of the 1940s, professional internal control evaluations were employed throughout the organizations to such an extent that the differentiation between internal and external auditor has remained the attestation function, confirming that the financial records of organizations have been fairly presented.

The role of the internal auditor has developed over the past 70 years to one of assisting management in the discharge of its responsibilities by ensuring that the internal control structures are appropriate to a given level of risk and function, as management intended. Increasingly, internal auditors are called upon to act as internal control, risk and corporate governance consultants within organizations. In 1941, the Institute of Internal Auditors Inc. (IIA) was formed. Based in New York, it was confined to America only. Its role was to provide a clearing house for ideas and education, and generally to unite the developing profession. After World War II, the growth in multinational corporations virtually guaranteed the spread of the IIA to the rest of the industrial world. It was not only the IIA that expanded, External audit firms formed working agreements with other firms across national boundaries, which eventually led to large international partnerships. By the 1960s, the IIA had grown and flourished becoming the acknowledged international leader of the internal auditing profession. From the IIA's inception, it was recognized that the multidisciplinary and evolutionary nature of the business world would have to be reflected in the IIA. It therefore had to provide the umbrella beneath which individual skills and talents needed to audit the internal control mechanisms of modern business could come together as equals to share knowledge and grow in the process.

There are various theories that may give some explanations on the need for auditing. Some of these theories are based on perceptions while others are based on researches. The Policeman Theory claims that the auditor is responsible for searching, discovering and preventing fraud. The Lending Credibility Theory postulated that the primary function of the audit is to add credibility to the financial statements. The Theory of Inspired Confidence (Theory of National Expectations) (Limperg 1932) addressed both the demand and the supply for audit services. The demand for audit services refers to the direct consequence of the participation of third parties (interested parties of a company) in the company. Agency Theory (Watts and Zimmerman 1978, 1986a, 1986b) postulated that the auditor is appointed in the interests of both the third parties as well as the management. The Role theory according to Appah and Kereotu, (2011), when faced with any situation, people have to enact a role in order to manage the situation. Chell (1985) called this "the situation-act model". This model according to him indicates that, the person must act within situations, that situations are rule governed and how a person behaves is often prescribed by those socially acquired roles. The Accountability theory framework, (1999) stated that, to account for something means to explain or justify the acts, omissions, risks and dependencies. However, in addition to this accounting requirement of transparency, accountability also entails a broader obligation of responsiveness and compliance. for which one is responsible to people with a legitimate interest. To discharge its accountability, an organization will account for its acts, omissions, risks and dependencies. However, in addition to this accounting requirement of transparency, accountability also entails a broader obligation of responsiveness and compliance.

Against the background, the concept of accountability is employed to explain the role of internal auditing in the control framework in which contemporary capitalist organizations operate. (Mihret 2013). Accountability is conceptualized as 'entail(ing) a relationship in which people are required to explain and take responsibility for their actions' (Sinclar 1995) which in turns involves "the giving and demanding of reasons of conduct" (Roberts & Scapens, 1985). In this context, internal auditing is conceptualized as historically constituted along with the historical development of organizational rationalities, the relevant logic of control, the objects of control, and the accountability relations in which controls are embedded. Internal auditing assists management and the board in managing the risk of failure to achieve organizational goals. Risks facing present day society are too complex to manage through insurance aside from not being amenable to statistical prognosis (Aradau & Munster, 2007; Beck 1992). By building on current thinking that risk management is fundamentally a control problem (Committee of Sponsoring Organizations, 1992, Spira & Page, 2003), this research work will therefore be anchored on the concept of accountability in order to explain the role of internal auditing on risk management in the public sector. It is argued that internal auditing provides selective visibility to areas that need management intervention to ensure that Ministries, Departments and Agencies (MDAs) activities are executed according to government's conceptions, and that management of these MDAs meets the accountability demands of the general public.

3. Methodology

We obtained relevant data with the aid of a structured questionnaire administered on both audit and management staff of public corporations in Oyo State. Data for the study were sourced from directors, and financial officers of the corporations. In addition to these, data will be collected on audit function of the corporation, risk management process, different types of risks in public sector.

The population of the study comprised of all the Parastatals with Independent Audit Department in the state. The total number of Parastatals/Corporations in the state with Independent Audit Departments is six while the total number of educational/tertiary institutions with Independent Audit Department in the state is six. Thus, a total of twelve public establishments constitute the population of the study. The total number of 215 audit staff in all the parastatals and 33 management staff were selected.

The study used questionnaire as research instrument. Copies of the questionnaire were distributed to members of staff in Audit Department as well as the management staff in the parastatals. The management staffs selected include Heads of internal Audit, Heads of Finance and Bursary, Heads of Stores and Heads of works department. The structured questionnaire will be self-administered with the aid of some trained assistants.

The variables for this study were generally measured on ordinal data scale. For the first objective of the study, the different types of risk in public sector which might include operational risk, strategic risk, environmental and systemic risk. The levels of these risks were measured on ordinal scale to ensure appropriate analysis of the current level in the public sector.

The objective will be analyzed using descriptive statistics; frequency counts, percentages mean and standard deviation were used. Frequency count is one of the most important univariate procedures for looking at detailed information about the specified variable(s) of interest.

4. Results and Discussion

4.1. Results of Validation and Reliability Tests

Efforts were made to ensure that the questions are relevant to the research questions and objectives of the study. Thus, the reliability and validity of the questionnaire were tested. Four (4) samples each were chosen from each case study public sectors. The various ambiguity, observations, and comments made at the pre-test stage were used to improve the quality of the questionnaires. The reliability of the questionnaire was tested using Cronbach's Alpha method to assess the consistency of the entire scale. According to Pallant (2004), reliability scores greater than 0.70 are acceptable. All the questions were on validation had an alpha above standard guideline of 0.70. This implies that the scales are suitable for analysis with acceptable reliability. For this study, Cronbach's Alpha score of 0.881 was obtained for the entire scale (Table 1). This indicated that there was internal consistency of the entire variable scale as that variable construct enabled strong internal reliability. These results, therefore, confirmed that the instrument used for this study had satisfactory construct validity which included consistency (Pallant, 2004).

Average Inter Item Covariance	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No of Items
.3072713	.878	.881	44

Table 1: Results of Validation and Reliability Tests

Source: Field Survey, 2015

4.2. Level of Risk Exposure in Oyo State Public Sector

Results in Table 2 highlight the level of risk exposure in Oyo state public sector. The findings reveal high level of exposure to particular type of risks such as operational, financial and systemic risks. Specifically, sixty-seven per cent (67%) of respondents indicated their high level of exposure to operational risk while a very low percentage (26.8%) considered the exposure to be low. The result is an indication that one of the risk challenges associated with internal audit functions and risk management in public sector is operational risk. This risk has been viewed as one which results from inadequate or failed internal processes and systems, as well as the actions of people or from external events (The Risk Management Framework 2005). Thus, bringing about effective audit functions and risk management practices, inadequate internal processes need be corrected.

Furthermore, 83.84 per cent of respondents indicated that public sector is highly exposed to financial risk. The high percentage associated with financial risk is an indication of its importance to audit function and risk management in public sectors in the study area. Generally, financial risk is an umbrella term for multiple type of risk associated with financing including financial transactions of public sector. The high level of exposure to this type of risk portends a greater challenge for proper risk management practices. Financial risk could also refer to the possibility of public corporations defaulting on its bonds, hence, financing method in public sectors need to be restructured for effective risk management practices.

Level of exposure to systemic risk is also relatively high (54.5%). In finance, systemic risk is the risk of collapse of an entire financial system of public sector. Following this, level of exposure to strategic risk was also found to be high (64.2%). Strategic risk is the risk to revenue, earnings and product offerings as a result of poor decision-making or implementation of those poor decisions. In relation to public sector, it includes the risk of the deterioration of reputation arising from negative publicity about the sectors. Although, results further indicate that environmental risk is a concern in public sector, the current level of exposure to such risk is still low (64.5%).

Type of risk	Level of Risk Exposure				
	Very high	High	Undecided	Low	Very Low
Operational risk	84 (41.2)	51 (25.8)	12 (6.2)	28(14.0)	25(12.8)
Financial/Liquidity risk	102(51.52)	64(32.32)	0(0)	19(9.59)	14(7.07)
Systemic	35(17.5)	74(37.0)	23(11.5)	45(22.5)	23(11.5)
Strategic	68(34.5)	59(29.7)	14 (7.0)	21(10.8)	36(18.0)
Environmental	18 (8.9)	22(11.1)	31(15.5)	79(39.9)	49(24.6)

Table 2: Level of Risk Exposure in Oyo State Public Sector
Source: Data Analysis, 2015

4.3. Specific Roles of Internal Auditing and Risk Management Process in the Public Sector

The results in Table 3 show the specific roles of internal auditing and risk management process in the public sector in the study area. Among the identified roles are assurances on risk management processes (91%), evaluation of risk management processes (89.8%) and reporting of key risks (89.7%). All these represent core internal audit role and risk management processes. Other specific roles of internal audit are categorized as legitimate internal audit roles and these include facilitating identification of risks as well as its evaluation (88.9%), coaching management in responding to risks (79.2%), coordinating risk control activities (87.6%) as well as maintaining and developing risk management framework (82.3%). Other identified roles include facilitating the identification and evaluation of key risks (89.1%); participating in the identification of emerging risks (89.6%); provision of consulting reports to improve or implement the risk management process (89.0%); implementation of risk responses on management process (74.5%) and develop the organizational policies for its risk management processes (81.5%).

Roles	SA	A	DA
Core internal audit role and Risk management		%	
Giving assurance on risk management processes	26	65	9
Giving assurance that risks are currently evaluated	14.3	79.6	6.1
Evaluating risk management processes	20.4	69.4	10.2
Evaluating the reporting of key risks	23.7	66.0	10.3
Reviewing the management of key risks	20.7	67.4	12
Legitimate internal audit role			
Facilitating identification and evaluation of risks	29.3	59.6	11.1
Coaching management in responding to risks	29.2	50.0	20.8
Coordinating risk control activities	33.0	54.6	12.4
Consolidated reporting on risks	28.4	58.9	12.6
Maintaining and developing risk management framework	30.2	52.1	17.7
Championing establishment of risk management	23.5	57.1	19.4
Developing risk management strategy for board approval	30.9	51.1	18.1
More Specific Role of Internal Audit (IA) and Risk Management (RM)			
IA facilitates the identification and evaluation of key risks	27.7	61.4	10.9
IA Participates in the identification of emerging risks	27.1	62.5	10.4
IA Provides assurance through written reports on the management of key risks	37.0	51.0	12.0
IA Provides assurance through written audit reports that risks are correctly identified and evaluated	29.9	60.8	9.3
IA Provides consulting reports to improve or implement the risk management process	30.0	59.0	11.0
IA Provides assurance through written audit reports over the risk management process	24.0	63.0	13.0
IA Does consolidated reporting on risks	21.2	56.6	22.2
IA Implements risk responses on management's behalf	30.6	43.9	25.5
IA Develops the organizational policies for its risk management processes	25.0	56.5	18.5

Table 3: Roles of Internal Auditing and Risk Management Process in the Public Sector
Source: Data Analysis, 2015

4.4. Results of ANOVA to Ascertain Specific Roles of Internal Auditing and Risk Management

Table 4 presents ANOVA results to ascertain the specific roles of internal auditing and risk management process in the public sector in the study area. Out of the identified roles, only three could be ascertained. The result shows that internal auditing significantly ($F = 5.11, p < 0.05$) participates in the identification of emerging risks. This shows that one of the specific roles played by internal auditing and risk management process in the public sector is "identification" of emerging risks. Also, the result ascertains that internal auditing significantly ($F = 4.349, p < 0.05$) provides consulting reports to improve or implement the risk management process. Similarly, internal auditing and risk management process significantly ($F = 4.194, p < 0.05$) provides assurance through written audit reports over risk management process.

Roles	Mean	F	Sig.
IA participates in the identification of emerging risks	3.98	5.109	.008**
IA provides audit reports to improve or implement the risk management process	4.13	4.349	.016**
IA provides assurance through written audit reports over risk management process	3.79	4.194	.018**

Table 4: Specific Roles of Internal Auditing and Risk Management

Source: Data Analysis, 2015

** , Significant At 5%

5. Conclusion

Internal Audit function in risk management allows a company to identify, assess, address and monitor risk exposure effectively and efficiently. Integrating internal audit function in a risk management and control, policy help minimizing risk that could prevent the company from achieving its objectives. Also, there is clear evidence in the literature that internal audit function enhances good governance performance by providing the audit committee with consolidated comprehensive and detailed risk centric reporting and recommendation.

The results showed that the current level of risk exposure in Oyo state public sector to particular risks such as financial (83.84%), operational (67%) and strategic risk (64.2%) and systemic risks (54.5%).

The major findings of this study lead to the conclusion that current level of risk exposure in Oyo state public sector is high.

Based on the major findings of this study, it is recommended that the current level of risk exposure in public sector should be reduced to position the sector in a way hence; sustainability of internal auditing function should be enhanced.

This research work has broadened our understanding and also provides explanations on how internal audit mechanism help in assessing, managing and reducing risk in the public sector. It also went further by providing information that will assist public sector in the effective utilisation of internal audit in the management of their resources to achieve the desired objectives.

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