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# Impact of Internal Audit Control System On operational Efficiency (A Study of a Transport Company)

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*Strictly as per the compliance and regulations of:*



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## I. INTRODUCTION

### a) Background to the study

The ancient history of accounting and auditing started in 8500BC, but from 1397, the double-entry form of record was practised at the Medical family of Florence, Italy, was in practice. As early as 2500 years ago, Zenon Papyri recorded the audit application in the Egyptian Estate of the Greek ruler Ptolemy Philadelphus. Greek and Roman writers such as Aristophanes Caesar and Gcero mentioned accountants, auditors, auditing accounts, and audit rooms.

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Internal auditing existed among the little houses of England in the year 1700, where the Lord Services as managers of the audit function. The earliest external audit was independently by public accountant Charles Snells due to the South Sea Bubble scandal in England. Hence, the total market value of the company exceeds all money in England. However, the investigation team discovers fictitious entries in the books, and because of this incident, major auditing events that focus on the improvement of standards tend to focus on public exposure of scandals and fraud.

The later industrial revolution resulted in family systems that stakeholders financed. As a result, it became necessary for both internal and external auditors to protect the public organisations, which brought about establishing the British company Act 1844 provided for Mandatory audit.

In 1853, the organisation of chartered accountants was formed in Scotland. In 1880, five organisations of chartered accountants formed a unified institute of Chartered Accountants. In 1917, an American Institute of Certified Public Accountant (AICPA) began preparing the uniform examination by all the states, passed as laws. Sixteen Amendments on income tax was passing in 1913. One of the law provisions was that all companies must maintain an adequate record to enable large and small firms to obtain a proper record for planning and controlling.

An audit is a word driven from the Latin word "Audere", which means "to hear". This name emanated from the way audit was practised in the ancient period when the accounts of an estate prepared by their manager were read before an outsider with sufficient independence and objectivity to express an opinion about their honesty or otherwise, Micah & Ferry (2008).

An internal audit is a management tool used in ensuring transparency in the conduct of business. Auditing took the entire stage after the industrial revolution. Before this period, transaction increased, predicated by the development of large corporations, limited liability companies, and a need for divorce of ownership from control. Hence managers and shareholder become two different partners. Then it became apparent for management to render accounts

of their stewardship to those who have pooled their resources together for the business. It is noteworthy that an independent person is appointed to represent the interest of the shareholders in reviewing the report of managers to ensure accuracy and transparency. This process, as enumerated above, is how auditing started.

The company's shareholders would want to know from time to time to what extent managers have been faithful in discharging their responsibilities of stewardship, boosting the return on investment of shareholders. Moreover, managerial performance is usually reflected in the corporate financial reports presented to the shareholders of the company periodically; therefore, there is the need to have auditors who shall play the role of prevention and control of fraud, error and irregularities in order to add value to the financial statements presented to the shareholders and other users of financial information.

Internal auditing is the bridge between the business and financial reporting processes of corporations. Internal auditors monitor the company's risk profile and identify areas to improve risk management. In addition, through constructive criticism, Internal auditing improves organisational efficiency and operational effectiveness. There are four components in internal auditing viz:

1. Verification of written records; analysis of policy;
2. The assessment of the lucidity and comprehensiveness of procedures;
3. Internal audit servicing and proper staffing assure efficient and appropriate organisation's policies; and
4. Accurate reports with appropriate recommendations for improvement in management.

Therefore, the subject is worthy of attention because internal auditors are important, even crucial, in an economy that relies upon independently produced information.

In most transportation companies, internal control is one aspect that has not been given the attention it deserves. In the case of Akwalbom State Transportation Company, the situation may not be different. However, internal control is a process that guides an organisation towards achieving its objectives. These objectives include; operational efficiency and effectiveness, reliability of financial reporting and compliance with relevant laws and regulation (COSO 1992). The absence of these variables often creates problems in organisations and eventually leads to poor financial performance.

Internal auditing is a company's accounting control system whose practices are widely believed to be important to the well-being of an organisation as it acts as a powerful control device checking possible deviations from the predetermined goals, objectives, and policies.

Therefore, internal auditing is conventionally established as an audit mechanism on behalf of management to ensure that:

1. The existing internal controls are well articulated, adequate and effective.
2. The books of financial records and reports display the result of actual operations, which must be accurately and promptly submitted.
3. Each unit of the establishment follows the top management has laid down guidelines and procedures.

However, globalisation and the advancement in technology has become the hallmark for businesses today, and the transportation sector is no exception. Akwalbom State transport systems have been expanding their operations and activities beyond the state borders due to improvement in operational efficiency. The expansion both in operational efficiency and in financial generation also exposes Akwalbom State Transport Company to increased risk, fraud, altercations and other irregularities, which has made internal controls an imperative system to maintain by every business and, for that matter, the Akwalbom State Transport sector vis-à-vis AKTC.

#### *b) Statement of the Problem*

Public sector internal auditing serves as a simple administrative procedure comprised mainly of checking the accuracy of transactions, counting assets and liabilities, carry out pre-payment verification and control, and reporting on past events to various types of management. In recent times, more combination of functions has been added to the profession.

Governments at all levels are now moving toward higher levels of transparency, and hence transport companies are also expected to demonstrate accountability in the use of public money and efficiency in the delivery of services. Internal audits provide several important services to managers of transport companies, such as detecting and preventing fraud, monitoring compliance to company policies, testing internal control and administrative regulations, and other services or functions intended to spearhead transport companies' growth and operational efficiency. Unfortunately, Akwalbom State Transport Company has experienced steady expansion over the years. This expansion has exposed the loopholes in financial impropriation and diversion of funds by workers since there is no proper internal audit control system that has hampered operational efficiency. However, on this backdrop, the researcher opts to investigate the impact of the internal audit control system on the organisation's operational efficiency. Numerous studies have been done on the impact of internal audit control system on operational efficiency, but none has been done as touching the operation of Akwa Ibom state transport company. Therefore, this research attempts to close this gap.

### c) Objectives of Study

This research aims to examine the impact of an internal audit control system on operational efficiency, using a case study of the Akwa Ibom State Transport Company.

Our specific objectives are as follows:

1. To find out if an internal audit control system increases revenue generation and Net profit of Akwalbom State Transport Company.
2. To determine whether the internal audit control system impacts the operational efficiency of Akwalbom State Transport Company.
3. To find out if an internal audit control system can further expand the Akwalbom State Transport Company.

### d) Research Questions

1. How does the internal audit control system increase its revenue generation and net profit of Akwa Ibom State Transport Company?
2. How does the internal audit control system impact the operational efficiency of Akwa Ibom State Transport Company?
3. How does the internal audit control system lead to further expansion of the Akwa Ibom State Transport Company?

### e) Research Hypotheses

The following research hypotheses guide the research;

1. There is no significant relationship between the internal audit control system and increased revenue generation and net profit of Akwa Ibom State Transport Company.
2. There is no significant impact on the internal audit control system and operational efficiency of Akwa Ibom State Transport Company.
3. There is no significant relationship between the internal audit control system and the further expansion of the Akwa Ibom State Transport Company.

### f) Scope of the Study

This study provides some insights on the financial strength of Akwa Ibom State Transport Company in terms of revenue generation, profits, cash flow and business expansion of Akwa Ibom State Transport Company and if achieving an internal audit control system could increase revenue generation and further expansion.

However, as far as time is concerned, the study suffered in that aspect, and financial constrain since the researcher had to contain his study alongside this research. Moreover, the study also suffered setbacks in gathering the data and administering the instruments for the data collection.

### g) Significance of the Study

Our findings on the impact of internal audit control system on business operational efficiency for verification of the results shown by the profit or loss accounts and the state of affairs of financial position.

This study will be useful in Africa in general, Sub-Saharan Africa, and in Nigeria to enhance the effective management of companies having a chronic handicap of countries' development.

This research will benefit Nigeria society in general, private and public companies, especially at the moment where the present administration is fighting corruption.

This research will also form a base for further studies.

Therefore, the significance of this research lies in the hope that findings from this research work will contribute to the broad knowledge base on the impact of dependent internal audit on the business expansion and operational efficiency in different companies.

The findings from this research will especially be useful for the following stakeholders: Policymakers, planners, managers, and policy implementers find better internal auditing methods and the company's performance.

### h) Definition of Key terms

**Internal control:** Organisations plan to coordinate all methods adopted within a business to safeguard its assets by checking the accuracy and reliability of its accounting system's data, intending to promote operational efficiency and encourage adherence to prescribed managerial policies.

**Discrete control procedures:** is defined as a specific set of policies, procedures, and activities designed to meet an objective. Control may exist within a designated function or activity in a process.

**Internal Control objectives:** are desired goals or conditions for a specific event cycle which, if achieved, minimise the potential that waste, loss, unauthorised use or misappropriation will occur. They are conditions that we want the system of internal control to satisfy. For a control objective to be effective, compliance with it must be measurable and observable.

## II. REVIEW OF RELATED LITERATURE

### a) Theoretical Perspectives

The principal theory relating to auditing is still agency theory (Olatunji, 2002). However, other theories such as legitimacy theory, institutional theory and, organisational identity and identification theory are also relevant to the changing roles of internal auditors. Rather than serving as mere watchdogs, internal auditors now expect to provide value-added services, especially regarding assurances of business processes and risk. While other researchers have used each of the theories named above in measuring internal audit performance, none have used them collectively to explain the



performance of internal audit function and its impact on operational efficiency. This study anchored agency theory and legitimacy theory to assess the internal audit function and its impact on the Akwa Ibom state transport company. These theories are chosen based on their relevance to this study, and since one study cannot afford to use all the theories available, a choice has to be made.

i. *Agency Theory by Stephen A. Rose and Barry M. Mitnick (1976)*

An agency relationship exists when managers and those employed perform a service on behalf of owners or shareholders with the delegation of some decision-making authority (Subramaniam, 2006). 'The qualitative state of excellence in decision making is good governance (Bridgman, 2007). However, the momentum of companies being publicly listed made the separation of owners from actively managing their companies more prominent, casting doubts on the good managerial capacities of directors and senior management. Conflicting the self-interest of owners and agents, first highlighted by Adam Smith in 1776, in *The Wealth of Nations* and reiterated by Jensen and Meckling (1976), together with information asymmetries, caused agency problems (ICAEW, 2005; Subramaniam, 2006). In the case of listed companies, the distance between the owners and the agents – the management team – is great; owners who are shareholders are not involved in the management of their organisations. Jensen and Meckling (1976) argued that agents are inclined not to maximise the owners' wealth, and in mitigation, monitoring activities such as external audits are imposed by the owners.

In Malaysia, three recently reported cases dealing with managerial problems. First, in Southern Bank Bhd., revenue and profits were falsified and creatively accounted for with overstatement of net assets by RM160 million in 2005 (Shah, 2007). Secondly, the revenues of Transmile Group Bhd. from the years 2004 to 2006 were overstated by RM622million (Associated Press, 2007). Finally, Megan Media Holdings Bhd. suffered losses of RM1.14 billion in 2007 due to accounting fraud at its subsidiary (T. H. Lee et al., 2008). These cases highlight the incongruence in expectations of good governance and, due professional care and diligence, of directors, managers, as well as auditors. Jensen and Meckling (1976) specified two agency costs in the management of companies: monitoring costs and bonding costs. According to Godfrey, Hodgson, & Holmes (2003), monitoring costs include costs of auditing, management compensation plans, budgets and operating rules. In addition, fees to external auditors are considered monitoring costs (Godfrey et al., 2003).

Notwithstanding the weaknesses in the monitoring activities as indicated in the corporate

scandals above, reliance by external auditors on the internal audit function generates cost savings in audit fees to the organisation (Brown, 1983; Haron et al., 2004). Internal audit has been identified as a bonding cost because the agents guarantee against any malfeasance by conducting the checks on their operational activities by appointing specified persons in their companies (Jensen & Meckling, 1976). Within the organisational structure, internal audit is charged with the oversight of good governance. Internal auditors look at the future by reviewing controls and processes in contrast with external auditors who attest to representations made by management on historical events, namely, financial statements for statutory purposes (similarly Dittenhofer, 1997). By evaluating and relying on competent internal audit, external auditors' work is expected to be reduced.

The simplistic view in agency theory of untrustworthiness of agents negates inherent human nature and motivation. Central to human psychology is the self-actualisation needs, first coined by Kurt Goldstein and later used by Maslow: the tendency to achieve one's potential and having the sense of truthfulness (Maslow, 1943). Dittenhofer (1997) clarified that "the need to be accepted and recognised" and the "desire to be a part of the organisation" changed the ways internal auditors operate. The view of internal auditors as watchdogs only is changing. Audit, as it is currently practised, goes beyond the requirement under existing legislations. It also may answer questions on bias in decision making, particularly in owner-controlled companies (Lane, 1983). Instating their opinions on a company's financial statements, the external auditors also form an opinion on the trustworthiness of the internal auditors' work and internal control system, reducing external audit work. When performing an internal audit, the requirement to give value-added service to the organisation acknowledges internal auditors' role in consultation with management (Bou-Raad, 2000; IIA, 2010b).

Instead of auditing, 'assurance services' has been used for reviews made by internal auditors and to provide advice or recommendations to management to assist in business strategies. Internal auditors are involved in developing internal control structures or management control processes and risk management through their professional background and competency. The involvement of internal auditors beyond the role of controllers monitoring agents contributes to better internal control structure and quality of information for decision-making.

Bou-Raad (2000) concluded that internal auditors can determine their independence and would not undermine their competency and integrity and that organisations recognise internal auditors' services in business practices. The emerging recognition of the expanded role of internal auditors and the benefits of

internal auditors' services in aiding organisations to meet their business objectives require more than agency theory can explain. The following sections discuss alternative theories.

ii. *Legitimacy Theory by Craig Deegan (1975)*

Besides agency theory, legitimacy theory is also related to monitoring activities in organisations. Under legitimacy theory, organisations constantly attempt to portray their activities as legitimate relative to ever-changing societal norms (Deegan, 2009). The vital point in legitimacy is what society perceives about the organisation's actions. It is assumed that society will allow the organisation to operate as long as it complies with the social contract, considering investors' rights and the general public. Public expectations are about quality goods and services, profit maximisation, and environmental and safety issues, emphasising better corporate governance. Failure to accede to a social contract may incur societal sanctions, for example, consumer boycotts and legal restrictions on an organisation's business activities. Deegan (2009) noted that studies incorporating legitimacy theory concentrate on social and environmental disclosures in annual reports.

Each organisation perceives not what society expects from it when they conduct their business activities. Legitimacy means business strategies may include education of, and disclosure to, the public about the changes in the organisation's performance and activities (Taylor, Sulaiman, & Sheahan, 2001). For example, an organisation would undertake ISO14001 certification as a strategy to improve environmental performance or merely as environmental credentialism arising from issues directed towards environmentally sensitive industries. In addition, the organisation would conduct environmental audits through internal auditors to satisfy the certification requirements. Taylor, Sulaiman and Sheahan (2001) found that certification was the key to satisfying stakeholders on how the implicit social contract of managing the organisations' activities' environmental effects was met. They also noted that the legitimisation process of the environmental performance made the organisations adopt strategies that would change public perceptions without changing their organisations' environmental behaviour.

Both agency theory and legitimacy theory may explain why organisations perform internal audits for various reasons, including compliance with public listing rules and obtaining certifications as part of their business strategies. To remain competitive and be seen as a leader within an industry sector, organisations also adopt structures deemed the norm. These structures are now elaborated on in the next section.

b) *Conceptual Framework*

To better understand the study, we have endeavoured to define key concepts about our

research. The word "audit" is coined from the Latin word "audire", meaning "to hear". Auditing has been associated with accounting and financial records. According to Maslow (1943), auditing is an independent examination of the book of accounts and the voucher of the business, and to keep these them properly in accordance to the companies' activities and to ascertain whether the statements drawn from the books of accounts revealed the fair and true state of the company's affairs at a particular date.

Other authors have defined "audit" as well. Shah (2007) stated that auditing is concerned with verifying accounting data, statements and reports, which must be accurate and reliable. Flesher & Zanzig (2000) were of the view that "Auditing can be understood as an examination of the book of account or accounting records to establish whether they correctly and completely reflect the transactions, but this is the end of the matter because the auditor also expresses his opinion of the character of the statement of accounts prepared as true and fair. Subramaniam (2006) opined that auditing is a systematic examination of the books of the records and accounts of the business to ascertain or verify the correctness of the financial operations and the results thereof". Auditing examines books of accounts and business vouchers that will enable the auditor to report whether the balance sheet is properly drawn up. On in order to give a true and fair view of the state of affairs of the business and that the profit and loss for the financial period according to the best of information and explanation are given to him and as shown by the books: and if not, to report in what respect he is not satisfied".

According to Dale (1989), an audit is a social phenomenon that serves no purpose or value except for its practical usefulness, and its existence is wholly utilitarian. Dale (1989) explains that the audit function evolved in response to the perceived needs of individuals and groups in society who seek information or reassurance about the conduct or performance of others in which they have acknowledged. In terms of legitimate interest, Dale (1989) stated that auditing exists because interested individuals or groups cannot obtain the information or reassurance they require. Therefore, an audit function evolved as a means of social control, being a mechanism to monitor conduct and performance and secure or enforce accountability. Mackenzie (cited in Brown, 1983, p. vii) made the following remarks: Without an audit, no control; and if there is no control, then there is no power. So, there should be an audit function to play a critical role in maintaining the welfare and stability of society.

Deegan (2009) stated that an audit examines accounting records undertaken to establish whether the provided data are correct and completely reflects the actual transactions to which they relate. So, it is

necessary to ascertain the transactions themselves which are supported by authority."

Shah (2007) defines auditing as being concerned with verifying accounting data, determining the accuracy and reliability of accounting statements and reports. Auditing is, therefore, the systematic and scientific examination of the books of accounts and records of a business to enable the auditor to satisfy himself that the Balance Sheet and the Profit and Loss Account are properly drawn up to show the true and fair state of the financial affairs of the business and to ascertain profit or loss of the business for the financial period. Thus, the auditor goes through various books of accounts and related evidence to satisfy himself about the accuracy and authenticity of the report over the business's financial health (<http://www.businessdictionary.com/definition/ClassicalGrowthTheory.htm#ixzz2Bb4CGfO>).

Chaudhary (1983) posited that internal auditing is an independent appraisal of activities within an organisation to ensure that the management's operations are efficient to manage the business profitably. Auditing is a managerial tool that acts as a watchdog of the company's entire internal control systems. Internal auditing is developed as an audit unit by management to ensure that the existing internal controls are adequate and effective, and the financial and other books of records and reports read the result of actual operations accurately and promptly.

Every unit and organs of the organisation follow the laid down policies and procedures as laid down by the top management.

Raw (1986) stated that Business growth refers to positive and significant cash flows or earnings of a business, which increase should be at significantly faster rates than the overall economy. A growing company tends to have very profitable opportunities for reinvestment of its own retained earnings. For example, we see businesses that grow in the technology industries. Growth is a requirement of every business, and we all want to grow our revenue and profitability. However, projecting growth by extrapolating last year's numbers or choosing a revenue goal of where you want to be will not necessarily get you there. Growing your reputation, expertise and perspective will.

Generally, the term 'business growth' refers to various things such as an increase in the production capacity, increase in the total sales volume per annum, an increase in production volume, an upsurge in the effective use of raw ingredients and power, and a rise in employment of personnel. These features are growth pointers. Nevertheless, business growth means an increase in the size or measure of a firm's operations, usually accompanied by increased resources and output (Deegan, 2009). The audit comprises an integral of the business growth. Business development is practically impossible without effective internal auditing

because auditing maintains the reliable functioning of business, responsible work of managers and employees and effective control over the performance of professionals working within an organisation. At the same time, auditing should be carefully planned to meet its ultimate goals and become a truly effective process. More precisely, planning is essential for an audit because it contributes to the proper, effective organisation of the auditing process.

Auditors plan their steps from the preparation of the audit, and it is beginning and developing to meet the audit's ultimate goals. In such a way, auditors can meet their goals through audit planning, whereas the failure of auditors to plan the audit may lead to disastrous effects because, in such a case, the audit is not systematic and rather fragmentary than overwhelming. It is important to emphasise that an effective audit is possible only based on the involvement of all elements and units of the organisation that is being audited. Ideally, there should be no inconsistencies and no unaudited elements in the course of the audit. Otherwise, the outcomes of the audit would be ineffective. Therefore, audit planning is an essential condition of an effective audit because it allows auditors to organise the audit process and reach the ultimate goals of the audit to the full extent.

The personality and professional skills, and abilities of auditors are also of the utmost importance for the overall success of the audit. In actuality, an auditor should have some professional skills and personal attributes, which can help him or her to perform successfully by analytical thinking, which is of the utmost importance for an auditor. Analytical thinking helps consistently to the auditing process because it maintains the effective professional performance of an auditor, preventing him or her from errors and misinterpretations of the information and data collected in the course of auditing. Organisational skills are also essential for the effective audit process. To put it more precisely, the organisational skills of an auditor define his or her ability to organise the process of auditing effectively that means that the auditor will systematically conduct the audit, and due to his or her analytical thinking, he or she will process and analyse the information collected to make adequate and accurate conclusions about the current position of a company or organisation. Boldness is a personal characteristic that helps an auditor conduct an audit and reach positive and reliable outcomes. Boldness is essential for an auditor because often, in auditing a large corporation, there is a risk of making an error that can undermine the reputation and position of the corporation in the market. In such a situation, an auditor should be bold enough to make decisions and make objective and accurate conclusions concerning the company's current position, regardless of the effects of his or her conclusions. In such a situation, objectivity is another characteristic a good auditor should possess to conduct auditing

successfully. Objectivity is an essential condition of the successful work of an auditor because subjective attitude or conclusions made by an auditor may have disastrous effects on the company audited. In addition, an auditor should share knowledge with their colleagues because, today, auditing often involves a team of auditors within which it is necessary to share knowledge and information to accomplish the audit. At the same time, an auditor's ability in a team is another important ability that defines the overall effectiveness of the audit's work and reliable outcomes.

A weak control environment can significantly impact the auditing process and its outcomes, especially if a risk-based approach is adopted. Although in actuality, it should be said that a weak control environment increases the vulnerability of an organisation to numerous risks, especially in the context of a risk-based approach to auditing, the weak control environment can make the audit outcomes unreliable because auditors can hardly consider all risk factors the audited company is exposed to. Furthermore, the weak control environment cannot allow auditors to assess all the risks adequately because they can emerge spontaneously in response to the changing business environment, which needs strengthening to clearly define all potential risk factors that can influence the audit outcomes. Otherwise, it will be impossible to evaluate the company's current position adequately, and the risk-based approach can be ineffective in the weak control environment.

Effective auditing methods contribute to the consistent improvement of its effectiveness and reliability so that the use of observation in the effective internal should be applied in the course of the auditing of the company's performance, including the work and productivity of employees, the effectiveness of their work and its impact on the overall company's performance. The observation helps assess how employees' work and organisational performance are effective and productive. In addition, it helps to reveal internal problems within the organisation. The inspection is necessary to apply when the production facilities of the company are audited. In the course of inspections, auditors should notice and adequately process all the information related to production. In such a way, on collecting the information on the production process within the company, auditors will be able to compare it with accounting data and the financial statement of any institution. The enquiry is worth applying in the course of auditing at the managerial level, including the top managerial level of the company. Much information gathered from different managers needs to be compared and contrasted through auditing to reveal true trends of events in the business enclave. On analysing this information, it will be possible to reveal the current trends in the financial and marketing position of the company, the internal atmosphere within the company and, in a way, to

foresee the further development of the company in the short-run perspective. The computation should be applied when auditors are working with accounting data and the company's financial statistics. In this regard, auditors should be particularly concerned with the accuracy of the information they have collected and the information they have received from the accounting and financial statement of the company. Finally, the external confirmation is worth applying when the company's relationship with its business partners and customers is assessed.

#### i. *Internal Audit and Expansion of Business*

Internal audit as a tool of control measures and evaluates the effectiveness of the working of an organisation in terms of financial and operational matters, which job is to be carried out by the internal audit ensuring that the working of the organisation is going on smoothly, efficiently and that there is no financial loss incurred; and that all the laws, rules and regulations governing the operations of the organisation are adhered to, besides ensuring that an effective internal control system exists to prevent errors, frauds and misappropriations (MACARIE, 2008).

Auditing in its modern concept is a systematic, intelligent, scientific, critical and thorough examination of books of accounts of the organisation by an independent person or body of persons with the help of vouchers, documents, information and explanations received from the authorities, to ascertain whether the transactions entered in the books of accounts are correct and have been entered with proper authority.

Therefore, the internal audit plays a crucial role in ensuring that efficient controls are operating in all the activities, be it liabilities or assets of an organisation. Internal audit also plays a constructive role by rendering service to the management with an objective appraisal of systems, procedures, practices, and policies. All Companies must appoint an internal auditor. The Statutory Auditors are required to report under Section 227 of the Companies Act, 1956, as to whether the company has an internal audit system commensurate with the size and nature of its business. The overall objective of an internal audit is to assist in checkmating all members of management in the effective discharge of their functions by constantly furnishing them with objective analysis, appraisals, recommendations and pertinent comments yearly concerning their activities. The internal audit is concerned with any phase of business activity wherein it can be of service to management.

The audit concept has undergone a sea change, and the earlier objectives, viz. "fault-finding", is no more relevant as management no longer interested in pursuing this. Internal audit is a diverse and specialised function in various fields of auditing. It is a tool used to detect the good, bad and ugly. The internal



Audit concept attempts to achieve an ideal combination of financial audit, operational auditing and reviews the plans for the imminent, ensuring three types of services PPC, viz., Preventive, Protective and Curative (Anderson, 2008).

In the preventive role, it forewarns the management of an adverse situation in advance;

It protects the management by bringing to its notice the deficiencies in advance before the external auditors point out; and

As a curative function, it suggests remedial measures, thereby acting as a catalyst for change and action.

For this purpose, audits objectively review and assess how well management practices and controls are performing. Audits determine the effectiveness and efficiency of these practices and controls and then make recommendations. At the request of program managers, DFATD regularly performs audits of its international development programs to ensure effective and efficient use of company resources.

#### ii. *Element of Business Growth*

Which factors separate the best from the rest when it comes to Business Growth? This question is a well-debated topic, but we have found five factors that successful companies have in common, as streamlined by Batunde (1997).

##### 1. A strong Leadership Team

Strong leadership can be defined as a clear vision for the company in terms of effectiveness, and the vision needs to be well-defined and explained, so people connect with it and are motivated by it. The second major factor is the appropriate leadership involvement in leading and supporting strategic projects to the organisation.

##### 2. Hire and Retain Quality People

Qualitative and right personnel need to be engaged to fill the positions in the company with a clear and defined understanding of their priorities or roles. If a company has the right people, it will move faster and accomplish more of its objectives in the same time frame and resources.

##### 3. Disciplined Approach to Business Objectives

Staff and management ought to learn how to work on their business, not just in it, but also to plan and, more importantly, align their people to execute the business's Growth Plan.

##### 4. Ability to Strategically Use Tools

High-performing organisations looking for Business growth give more emphasis than lower-performing companies to use technology to impact the business strategically. Organisations that have developed a culture that figures out ways to deploy tools or technology, not for technology's sake, but to serve their strategy better, will always succeed.

#### 5. The Wise Use of Trusted Third-Party Service Providers

In order to have a growth-orientated business, management needs a systematic way of gathering and periodically analysing vital information about the business operations. Trusted third-party service providers can be of immense value in evaluating and review of the business performance. So, high-performing business associates will supplement the internal expertise by building trusted relationships with this outsourced personnel; this service will cost-effectively buy the company's expertise. When venturing into a business, you should identify the essential factors that will make your business succeed. These critical factors are usually detailed by business owners when envisioning the business and mapping out the business plan. Chances are to have probably thought of these factors, and it is best to think about them deeper and outline these factors. These factors will enable one to implement an action plan to carry out when starting up your business.

It is a consistent question; how do people define critical success factors to business? The answer is simple, and it comes down to what matters to businesses, including sales, customers, people, and even the product developed. In the end, your success factors come down to the very core values of why you are in business in the first place.

#### iii. *Internal Audit on the Business Expansion*

Comparison between internal auditing and external auditing considers only the external auditors' traditional role of attesting to financial statements. During the 1990s, many large professional service firms (the "Big 5" public accounting firms) began creating departments offering inner auditing services in addition to tax, fiscal planning, actuarial, outside auditing, and management accessing. New businesses also emerged, subscribing to internal auditing services but not verification through external auditing of financial statements. Unsurprisingly, the arrival of "outside" experts ready to do "internal" audits triggered a spell of debate about unconventionality, impartiality, depth of organisational knowledge, operative efficiency, and long-run costs to the organisation. Irrespective of the continued trend of operations throughout the rest of the decade, protests gave way to acknowledgement that non-employees can certainly perform internal audits. Logical analyses of outsourcing's pros and cons trailed the auditing. "Co-sourcing" using interlopers of outsiders for designated projects became a beneficial concession which option provided access to an external firm's resources while retaining a well-informed core of internal auditors to unswerving and manageable co-sourced projects.

Nevertheless, sensitivities of impaired unconventionality continued when public accounting

firms providing ideas on financial accounts also staffed the internal auditing function.

However, weakened conventionality sensitivities continued when public accounting organisations providing ideas on financial statements also worked the internal auditing roles. It required management to retain accountability for internal audit scope, scheduling, and hazard valuations and designate a skilled executive to retain responsibility for the general internal audit function. Internal auditing is an autonomous, objective guarantee and consulting movement. Its central role regarding Enterprise Risk Management is to make available objective assurance to the board on the efficacy of risk management. Certainly, the study or research has shown that the Board of Directors and internal auditors reach an agreement that the two most vital conducts that internal audit affords value to the organisation are providing an unbiased declaration that the main business risks are managed appropriately and providing assurance that the risk management and internal control framework are managed appropriately is operating effectively.

#### iv. *Relationship between Internal Audit and Business Growth*

A gap analysis mainly determines the degree of conformance of your organisation to a specification or standard requirements. Therefore, a gap analysis is mainly a document review or a "show me the evidence" activity, which will usually come in the form of a record or document. During gap scrutiny, only very negligible auditing is done; rather, key process owner or project shareholders offer evidence that they have met the necessities charted in the specification or standard (BATUDE, 1998).

As with the internal audit, the pre-assessments objective is to seek the degree of conformance of your system to the chosen specification or standard. It can also be your green light to go for the certification audit, or maybe a yellow light if some fine-tuning is necessary. Again, the pre-assessment report will not give advice but should show any nonconformities and allow the organisation to close those out before the certification audit.

Good internal audit and business are things that many small businesses hope for, and they sometimes treat them as independent variables, but they are part of the same equation that will result in success for the business. So, the relationship between internal audit and business growth is notable, and here is some more information about how they are related. To expand your business, you may offer it to other people to franchise the business, but you need a solid and strong control to be a good option for them when considering various franchise opportunities. You are to make sure that you have an accounting system that can be used across all the other business offices uniformly and that the

methods used subscribe to the best accounting practices.

#### c) *Empirical Framework*

In a study conducted by Flesher (1993), *A Management Audit of Small Business Long-Term Financial Affairs*, the result suggested that the owner or manager of a small business can conduct the audit on sort of a do-it-yourself basis. Although every department could benefit from such an audit, it is the long-term financial management of the organisation that might profit the most from a value-for-money audit. Dale L. Flesher, an *Operational Audit of Working Capital Management*, explores that intended to end the oversight. However, an operational audit can lead to better management of working capital in the same way that it can lead to better management of a production area or by a treasurer who merely wants to perform a self-audit of their own department's efficiency and effectiveness.

In another study, Flesher, Zanzig (2000), in their work, *Management accountants express a desire for change in the functioning of internal auditing*, this paper outlines the results of a survey designed to compare the opinions of internal auditors to one class of audit customers – namely management accountants. To function effectively, internal auditors and the customers of audit services should possess a similar understanding of what makes internal auditing a value-added activity. Failure to reach this understanding could result in the perception that internal audit is simply an obstacle to achieving production objectives. Possible result in underutilised audit services can ignore audit recommendations. Fortunately, internal auditors and management accountants have similar views, but internal auditors should address a few areas of difference. Lane, *The Operational Audit: A Business Appraisal Approach to Improved Operations and Profitability*, the findings of that study operational audit is concerned with the appraisal of company effectiveness, identifying operations which are open to improvement.

In his study Chaudhary (1983), in his study, the relevance of management audit in modern industrialisation. This study explores that management audit helps the organisation's management in its present and future growth and prosperity through pragmatic and constructive appraisal of all organisation activities.

Mihret, Yismaw (2007) further investigated Management audit effectiveness: an Ethiopian public sector case study. The findings of the study highlight that management audit effectiveness is strongly influenced by internal audit quality and management support, whereas organisational setting and auditee attributes do not have a strong impact on audit effectiveness.

Sutton (1977) stated that Management Audit and Appraisal reviewers are not traditionally popular

people and their entrance into an organisation is prone to escalate to anxious suspicion and defensiveness throughout the system. The audit is believed to be a fact-based, periodical, astringent process designed to reveal errors and weaknesses and recognise those accountable. It is a procedure to be borne rather than hailed. The viewpoint sketched in this article owes little to the outmoded concept of financial audit, which is concerned with individuals and could profit by being known by some name other than audit, with its present connotations.

### III. METHODS OF STUDY

#### a) Research Design

The design employed a survey research design. Survey research design is a research technique by which oral and written responses or information can be elicited from subject usually sampled on statistical principles through focused questions. As a survey study, the researcher assessed the impact of the internal audit control system and operational efficiency in Akwalbom State Transport Company by distributing questionnaires to the respondents, personal interview and observation.

#### b) Population of the Study

The population of a study consists of all the units and universe-people possessing the researcher's attributes. The study population comprised all the 34 administrative staff of the AKTC finance, administrative and internal audit departments. The population is chosen based on the knowledge of the relationship of the subject matter under study.

#### c) Sample and Sampling Technique

A sample is said to be a part of the population deliberately taken to represent the study population. It is a subject of the set of elements, items, objects or subjects of interest to the researcher. A sample size of 31 staff was selected from the three chosen department of the company for the study or research. Therefore, the sampling technique adopted for the study was single-stage cluster sampling, where each of the department of the company was considered a cluster and three clusters were selected, and participants were randomly picked from the three selected clusters.

We determined the sample size by using the following formula propounded by Philip Meyer as shown below:

$$n = \frac{\chi^2 NP(1 - P)}{d^2(N - 1) + \chi^2 P(1 - P)}$$

n = sample size

$\chi^2$  = table of value for Chi-Square at 1 degree of freedom = 3.84

N = population size

P = population proportion (assumed to be 0.50)

d = degree of accuracy (0.05)

$$n = \frac{3.84 \times 34 \times 0.5(1 - 0.5)}{0.05^2(34 - 1) + 3.84 \times 0.5^2} = \frac{32.64}{1.0425} = 31.3 \approx 31$$

#### d) Nature of Data

The data for the study was purely primary data, where information was collected from the staff of the company via a questionnaire that the researcher for the study developed.

#### e) Method of Data Collection/Instrument

A researcher-developed questionnaire was used as an instrument for the collection of data for this study. The instrument being the questionnaire, was divided into two parts or sections. Section 'A' dealt with the personal data of the respondents, and section B consisted of questions that elicited information from the respondents on the subject matter.

The manager of AKTC was contacted for permission to administer the questionnaires to the staff for the research study. All the copies of the questionnaire were administered to the staff with a letter of introduction and purpose of the study to assure that any information provided will be treated confidentially and for academic purposes only. The questionnaires after completion were retrieved from the staff for data analysis.

#### f) Model Specification

Analyse the data, require a model for the study was simple regression and is given below:

$$Y = \beta_0 + \beta_i X_i + \epsilon \quad - \quad (1)$$

Where Y is the dependent

$\beta_0$  = constant term

$\beta_i$  = coefficients of the regression parameters

$X_i$  = independent variables and

$\epsilon$  = error term

For clarity, the researcher formulated these models

$$GR = \beta_0 + \beta_1 IACS + \epsilon \quad - \quad (2)$$

$$OP = \beta_0 + \beta_1 IACS + \epsilon \quad - \quad (3)$$

$$EXP = \beta_0 + \beta_1 IACS + \epsilon \quad - \quad (4)$$

Where IACS – internal audit control system

OP – operational efficiency

EXP – Expansion

Operational efficiency is the competence of an enterprise to deliver products or services to its clients in the most cost-effective method conceivable while still guaranteeing the high quality of its products, services and support. Operational efficiency is imperative to sustaining a reliable and safe transport system that supports an enhanced quality of life for the itinerant public. There are multiple strategies employed to promote the efficiency of the transportation system by managing and reducing congestion.

However, expansion means is the action of becoming larger or more extensive. It is the phase of the business cycle when the economy moves from a trough to a peak. Then the level of business activity surges, and gross domestic product expands until it reaches a peak.

#### g) Statistical Tools for Data Analysis

Statistical tools used for the study was simple regression analysis, and the analysis was carried out by E Views software.

#### h) Validity/Reliability of the Instrument

The instrument was restructured in line with the corrections and suggestions that were made. Cronbach Alpha Coefficient ( $\alpha$ ) was used to estimate the general scale reliability of the instrument. Cronbach Alpha is a statistic generally used as a measure of internal consistency or reliability for assessing the reliability of scales. The Cronbach reliability coefficient of the pilot study conducted was 0.76, thereby showing that the instrument for the study was reliable.

### IV. DATA PRESENTATION, RESULTS AND DISCUSSION OF FINDINGS

#### a) Data Presentation

This chapter contains the analysis of the data obtained for this study. Methods of analysis highlighted in the previous chapter are used in the analysis. The criterion point of 2.5, that is,  $(4 + 3 + 2 + 1)/4 = 10/4 = 2.5$ , was used to decide whether the respondents agreed or disagreed with the items in Tables 5 to 8. Any item with the mean response of 2.5 and above was considered 'agreed' and below 'disagreed'.

**Table 1:** Data Presentation on Gender Respondents

Gender	Frequency	Percent
Male	7	22.6
Female	24	77.4
Total	31	100

Table 1 shows that most respondents, numbering 24 representing 77.4 per cent of the total respondents, were male while 7(22.6%) respondents were female.

#### b) Data Analysis

**Table 5:** Data Presentation on Internal Audit System of the Company

S/N	Items	SA	A	D	SD	Mean	Decision
1	General ledger control accounts are reconciled daily	9	11	6	5	2.8	A
2	Differences notice in the account is promptly investigated, and corrective action taken	15	7	3	6	3.0	A
3	Detailed accounting controls are maintained in the company	7	12	9	3	2.7	A
4	Cash receipts are issued each time a collection (including cash, checks, and credit card transactions) is received	21	7	1	2	3.5	A
5	All suspense accounts are properly analysed on a timely	7	13	5	6	2.7	A

**Table 2:** Data Presentation on Ages of the Respondents

Age	Frequency	Percent
21-30	9	29.0
31-40	16	51.6
41 and above	6	19.4
Total	31	100

In Table 2, the result shows that 9(29%) respondents were between the ages of 21-30, 16(51.6%) respondents were in the age bracket of 31 and 40, while 6(19.4%) respondents were 41 ages and above.

**Table 3:** Data Presentation on Years of Service

Years of Service	Frequency	Percent
Less than five years	5	16.1
5-9 years	14	45.2
10-14 years	9	29.0
15 years and above	3	9.7
Total	31	100

In Table 3, the result shows that respondents who had less than five years working experience were 5(16.1%), 14(45.2%) respondents had between 5-9 years of working experience, 9(29%) respondent had worked for 10-14 years, and 3(9.7%) respondents had worked with the company for up to 15 years and above.

**Table 4:** Data Presentation on Educational Qualification of the Respondents

Qualification	Frequency	Percent
SSCE	20	64.5
OND/Diploma	6	19.4
HND/B.Sc.	5	16.1
Higher Degrees	-	-
Total	31	100

Table 4 reveals our results that most of the respondents numbering 20 representing 64.5 per cent of the respondents, were SSCE holders, 6(19.4%) respondents were OND/Diploma holder, 5(16.1%) respondents had HND/first degree, and no respondent had a higher degree.



	basis, reviewed and approved, and outstanding items dealt with promptly						
6	There are adequate procedures to ensure that items received are dispatched appropriately and timely (courier services)	12	9	3	7	2.8	A
7	There are adequate written instructions for the daily physical count of Vehicles loading and offloading in each of the terminals	18	10	1	-	3.4	A
8	The accounting records are always reconciled to the results of the daily count	9	14	7	1	3.0	A
9	Financial reports that compare budgets to the actual financial activity generated are regularly reviewed.	11	10	6	4	2.9	A

A=Agreed

In Table 5, the respondents agreed to all the items concerning the internal audit system in AKTC.

*Table 6: Data Presentation on Revenue Generation in the Company*

S/N	Items	SA	A	D	SD	Mean	Decision
1	The company's revenue base is increased by controlling fraud	8	9	8	6	2.6	A
2	The rate of generating revenue in the company increases every day	12	7	5	7	2.8	A
3	Other services provided by the company helps increase the daily revenue of the company	9	11	6	5	2.8	A
4	Revenue is boosted since there is no opportunity for embezzlement	5	4	13	9	2.2	D
5	Revenue generated is managed by experts	6	9	8	8	2.4	D

A=Agreed, D = Disagreed

As presented in Table 6, the respondents agreed to three of the five items and disagreed on two items regarding revenue generation.

*Table 7: Data Presentation on Operational Efficiency of the Company*

S/N	Items	SA	A	D	SD	Mean	Decision
1	There are enough busses for passengers in the company	9	13	4	5	2.8	A
2	All vehicles are functional with well-experienced drivers	17	9	3	2	3.3	A
3	There are busses for all the routes in the country	15	7	5	4	3.1	A
4	It is safe travelling with AKTC	24	7	0	0	3.8	A
5	There are standby vehicles in case of any breakdown to convey passengers to their destination	13	9	7	2	3.1	A

A=Agreed

Table 7 contained items on the company's operational efficiency, and the respondents agreed to all five items.

*Table 8: Data Presentation on Further Expansion of the Company*

S/N	Items	SA	A	D	SD	Mean	Decision
1	The upsurge in the numeral of commuters has led to the expansion of the company	14	11	4	2	3.2	A
2	The present location is due to the expansion of the company	8	7	12	4	2.6	A
3	The proper revenue management leads to the expansion of the company	9	4	11	7	2.5	A
4	The number of staff in the company has grown beyond expectation	13	11	6	1	3.2	A
5	The maintaining of detailed accounting controls contributes to the expansion of the company	8	12	7	4	2.8	A

A=Agreed

As shown in Table 8, the respondents agreed to all the items on further expansion.

**Research Question One:** To what extent has the internal audit control system increased the revenue generation and net profit of Akwa Ibom State Transport Company?

**Hypothesis One:** There is no significant relationship or association between the internal audit control system and increased revenue generation and net profit of Akwa Ibom State Transport Company.

**Table 9:** Regression Result of the relationship between the internal audit control system and increased revenue generation and net profit of AKTC

Dependent Variable: R.G.				
Method: Least Squares				
Date: 05/25/21 Time: 03:26				
Sample: 1 31				
Included observations: 31				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.431946	1.423735	1.708145	0.0983
IACS	0.515186	0.044278	11.63522	0.0000
R-squared	0.823578	Mean dependent var		18.96774
Adjusted R-squared	0.817494	S.D. dependent var		1.110071
S.E. of regression	0.474230	Akaike info criterion		1.408093
Sum squared resid	6.521935	Schwarz criterion		1.500608
Log-likelihood	-19.82544	Hannan-Quinn criteria.		1.438251
F-statistic	135.3783	Durbin-Watson stat		0.546176
Prob(F-statistic)	0.000000			

As presented in Table 9 gives the R-Square value of .824, which implies that the internal audit control system explained 82% of the total variance in increased revenue generation, which revealed that the internal audit control system had increased revenue generation of Akwalbom State Transport Company. The F-statistic of 135.3783 with the corresponding probability value of .000 measured the adequacy of the regression model. Since  $P = .000 < .05$  (level of significance), the model is a good fit and has a very high explanatory power. The coefficient of the regression parameters is 2.432 and 0.515 for  $b_0$  and  $b_1$ , respectively, with  $t_{cal} = 11.635$  and

$P < 0.05$ , meaning that the internal audit control system significantly impacted the increased revenue generation of Akwa Ibom State Transport Company; as such, the null hypothesis one was rejected.

**Question Two:** To what extent has the internal audit control system impacted the operational efficiency of Akwalbom State Transport Company?

**Hypothesis Two:** There is no significant impact (or influence) of the internal audit control system on the operational efficiency of Akwa Ibom State Transport Company.

**Table 10:** Regression Result of the impact of internal audit control system on the operational efficiency of AKTC

Dependent Variable: OPE				
Method: Least Squares				
Date: 05/25/21 Time: 03:32				
Sample: 1 31				
Included observations: 31				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.695444	0.920616	4.014098	0.0004
IACS	0.468785	0.028631	16.37326	0.0000
R-squared	0.902384	Mean dependent var		18.74194
Adjusted R-squared	0.899018	S.D. dependent var		0.964978
S.E. of regression	0.306647	Akaike info criterion		0.536102
Sum squared resid	2.726940	Schwarz criterion		0.628618
Log-likelihood	-6.309587	Hannan-Quinn criter.		0.566260
F-statistic	268.0835	Durbin-Watson stat		1.239846
Prob(F-statistic)	0.000000			

As presented in Table 10 gives the R-Square value of .902, which implies that the internal audit control system explained 90% of the total variance in operational efficiency, revealing that the internal audit control system had a great impact on operational efficiency. The F-statistic of 268.0835 with the corresponding probability value of .000 measured the adequacy of the regression model. Since  $P = .000 < .05$  (level of significance), the model is a good fit and has a very high explanatory power. The coefficient of the regression parameters is 3.695 and 0.469 for  $b_0$  and  $b_1$ , respectively, with  $t_{\text{cal}} = 16.373$  and  $P < 0.05$ , meaning

that the internal audit control system had a significant impact on Akwa Ibom State Transport Company; as such, the null hypothesis two was rejected.

*Research Question Three:* To what extent has the internal audit control system influenced the expansion of the Akwalbom State Transport Company?

*Hypothesis Three:* There is no significant relationship or association between the internal audit control system and the further expansion of the Akwa Ibom State Transport Company.

**Table 11:** Regression Result of the Relationship between Internal Audit Control System and Further Expansion of AKTC

Dependent Variable: EXP				
Method: Least Squares				
Date: 05/25/21 Time: 03:34				
Sample: 1 31				
Included observations: 31				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.643701	1.134302	1.449086	0.1580
IACS	0.521654	0.035277	14.78745	0.0000
R-squared	0.882908	Mean dependent var		18.38710
Adjusted R-squared	0.878870	S.D. dependent var		1.085585
S.E. of regression	0.377823	Akaike info criterion		0.953561
Sum squared resid	4.139764	Schwarz criterion		1.046076
Log-likelihood	-12.78019	Hannan-Quinn criter.		0.983719
F-statistic	218.6688	Durbin-Watson stat		1.119082
Prob(F-statistic)	0.000000			

As presented in Table 11 gives the R-Square value of .882, which implies that the internal audit control system explained 88% of the total variance in further expansion, showing that the internal audit control system had to a great extent impacted on the expansion of AKTC. The F-statistic of 218.669 with the corresponding probability value of .000 measured the adequacy of the regression model. Since  $P = .000 < .05$  (level of significance), the model is a good fit and has a very high explanatory power. The coefficient of the regression parameters are 1.6437 and 0.5217 for  $b_0$  and  $b_1$ , respectively, with  $t_{\text{cal}} = 14.787$  and  $P < 0.05$ . This result means that the internal audit control system significantly impacted Akwa Ibom State Transport Company; null hypothesis three was rejected.

#### c) Re-statement of Hypotheses

1. There is no significant association (or relationship) between the internal audit control system and revenue generation in Akwa Ibom State Transport Company.
2. There is no significant influence (or impact) on the internal audit control system and operational efficiency of Akwa Ibom State Transport Company.

3. There is no significant association (or relationship) between the internal audit control system and further expansion of the Akwa Ibom State Transport Company.

#### d) Discussion of Findings

The study's first hypothesis proposed that there will be no significant relationship between the internal audit control system. It increased revenue generation and net profit of Akwa Ibom State Transport Company. The findings of the hypothesis showed that the relationship between the internal audit control system and increased revenue generation and net profit was statistically significant, which led to the rejection of the null hypothesis. The findings further showed that the influence of the internal audit control system on increased revenue generation/net profit was 82 per cent. Our findings are in streak with the study conducted by Oladimeji (2016) which the researcher found a significant relationship between revenue generation and internal audit control system. This result shows that an effective internal control and audit system unequivocally correlates with organisational success in meeting its revenue target level. Supporting this also is the study by

Olatunji (2002) which he opines that an internal audit and controls system provides an independent appraisal of the quality of managerial performance in carrying out assigned responsibilities for better revenue generation.

The second hypothesis of the study assumed that there would be no significant impact of the internal audit control system on the operational efficiency of Akwa Ibom State Transport Company. We tested the hypothesis using simple regression analysis, and the findings revealed a statistically significant impact of the internal audit control system on operational efficiency. This finding agrees with Sushma and Gupreet (2000), who found a significant impact of internal audit control system on operational efficiency. The internal audit control system, when in operation, has much impact on service delivery, and that operational efficiency is very important in maintaining a reliable and safe transportation system that supports an enhanced value of lifespan for the itinerant public. Hence, a functional internal audit control system helps promote the transportation system's efficiency by managing and reducing congestion, addressing travel demand management, transportation system management, and intelligent transportation systems.

The findings of the third hypothesis, which proposed that there will be no significant relationship between the internal audit control system and further expansion of the Akwa Ibom State Transport Company, revealed a significant relationship between the two variables, which led to the rejection of the null hypothesis. The findings further showed that the internal audit control system accounted for about 88% of the total variation in further expansion of AKTC, implying that an effective internal audit control system enables proper accountability, leading to sustainable development and expansion of a firm. Thus, the finding agrees with Nteziyayo (2014) that an internal audit system positively influences the growth and expansion of an organisation. So, an operative internal audit and control system brings an enlargement of company manoeuvres, improves good and prudent accounts keeping that side-step disputes over profit distribution and makes thorough valuation of the assets and liabilities as argued by Olatunji (2002), whom these study findings also lend credence to.

## V. SUMMARY, CONCLUSION AND RECOMMENDATION

### a) Summary

The study, guided by the main objective, had to examine the impact of the internal audit control system on operational efficiency, taking the specific case study of the Akwa Ibom State Transport Company into consideration. In an attempt to achieve its purpose, the variables were tested under the specification as follows:

1. An internal audit control system increases revenue generation and Net profit of Akwa Ibom State Transport Company.
2. The internal audit control system impacts the operational efficiency of Akwa Ibom State Transport Company.
3. An effective internal audit control system can further expand the Akwa Ibom State Transport Company's profit-making.

Having tested these, the first hypothesis of the study proposed that there is no significant relationship between the internal audit control system. However, it increased revenue generation and net profit of Akwa Ibom State Transport Company. Therefore, the findings of the hypothesis show the relationship between the internal audit control system and increased revenue generation. Furthermore, net profit was statistically significant, and this led to the rejection of the null hypothesis.

The second hypothesis of the study assumed that there is no significant impact of the internal audit control system on the operational efficiency of Akwa Ibom State Transport Company. We tested the hypothesis using simple regression analysis, and the findings revealed a statistically significant impact of the internal audit control system on operational efficiency.

The findings of the third hypothesis, which proposed that there will be no significant relationship between the internal audit control system and further expansion of the Akwa Ibom State Transport Company, revealed a significant relationship between the two variables, which led to the rejection of the null hypothesis. The findings further showed that the internal audit control system accounted for about 88% of the total variation in further expansion of AKTC, implying that an effective internal audit control system enables proper accountability, which leads to sustainable development and expansion of a firm.

### b) Conclusion

The findings confirmed the assertion of the Tread way commission of the committee of sponsoring organisations (COSO), that it is management responsibility to set up the internal control system and that the internal auditor's role is to evaluate the effectiveness or otherwise of the system Sushma and Gupreet (2000). Therefore the internal auditor often plays a significant monitoring role, but their offices are at the head office and visit the branches every month; hence the influence of the internal control systems rests mostly on the internal audit unit. However, for a control system to be described as effective, control policies and procedures must not be under the influence of one person. When such a thing happens, that individual can easily override the controls. However, the study's objective was to determine the impact of an internal audit control system on operational efficiency. It came



out that the effectiveness and efficiency of the internal controls rest on the internal audit unit, which visits the branches monthly. It also came out that no one individual has influence over.

### c) Recommendation

The following recommendations are offered to improve the effectiveness of Akwa Ibom State Transport Company (AKTC).

1. First, AKTC should set internal audit units for each branch across the country, always having internal audit personnel covering the unit who are to ensure compliance with the internal controls that exist in their organisation. Therefore, it is important to make the internal audit part of the organisation's daily activities to ensure daily compliance to the internal controls but not wait for months.
2. Second, in as much as possible, this office should be part of the branch management team. In doing so, they will report directly to the country management team.
3. Third, we further recommend that the internal audit personnel be rotated regularly to avoid any form of malpractices.

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## APPENDIX

### Questionnaire

#### Section A: Personal Data

Gender: Male ☐ Female ☐

Age: 21-30 ☐ 31-40 ☐ 41 and above ☐

Educational Qualification: SSCE ☐ OND/Diploma ☐ HND/B.Sc. ☐ Higher Degrees ☐

Years of Service: ☐ less than 5 years ☐ 5-9 ☐ 10-14 ☐ 15 and above ☐

#### Section B: Internal Audit System

S/N	Items	SA	A	D	SD
1	General ledger control accounts are reconciled daily.				
2	Differences notice in account is promptly investigated, and corrective action is taken.				
3	Detailed accounting controls are maintained in the company.				
4	Cash receipts are issued each time a collection (including cash, checks, and credit card transactions) is received.				
5	All suspense accounts are properly analysed on a timely basis, reviewed and approved, and outstanding items dealt with promptly				
6	There are adequate procedures to ensure that items received are dispatched appropriately and timely (currier services)				
7	There are adequate written instructions for the daily physical count of Vehicles loading and offloading in each of the terminals.				
8	The accounting records are always reconciled to the results of the daily count.				
9	Financial reports that compare budgets to the actual financial activity generated are regularly reviewed.				

#### Section C: Revenue Generation

S/N	Items	SA	A	D	SD
1	The company's revenue base is increased by controlling fraud.				
2	The rate of generating revenue in the company increases every day.				
3	Other services provided by the company helps increase the daily revenue of the company.				
4	Revenue is boosted since there is no opportunity for embezzlement.				
5	Revenue generated is managed by experts.				

#### Section D: Operational Efficiency

S/N	Items	SA	A	D	SD
1	There are enough busses for passengers in the company.				
2	All vehicles are functional with well-experienced drivers.				

3	There are busses for all the routes in the country.				
4	It is safe travelling with AKTC.				
5	There are standby vehicles in case of any breakdown to convey passengers to their destination.				

*Section E: Expansion*

S/N	Items	SA	A	D	SD
1	The upsurge in the numeral of commuters has led to the expansion of the company.				
2	the present location is due to the expansion of the company				
3	Proper revenue management leads to the expansion of the company.				
4	The number of staff in the company has grown beyond expectation.				
5	The maintaining of detailed accounting controls contributes to the expansion of the company.				

