Internal Audit And Risk Management In Nigeria’s Public Sector

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ABSTRACT
This study examines the relationship between internal audit and risk management in ten selected MDAs in Rivers State. Data were generated with the aid of necessary information collected from the study through the cross sectional survey via copies of questionnaire administered. A total population size of 150 and sample size of 109 was determined using Taro Yamane’s formula at 0.05 level of significance. Also, 109 copies of questionnaire were distributed to the respondents, while 90 copies were completed and retrieved. The instruments were validated with reliability above 0.7 co-efficient, using Cronbach Alpha technique. Six research questions and six hypotheses were raised which was tested with spearman’s rank order co-efficient of correlation using SPSS 23 version. From the findings, the concept of internal audit creates positive impact on risk control and risk financings. In conclusion, internal audit has a significant impact in risk management in the Nigerian public sector MDAs. Based on the findings and conclusion, it could be recommended among others that any internal auditor who cannot demonstrate the appropriate skills and knowledge should not undertake work in the area of risk management. Furthermore, internal audit should maintain high level of objectivity and independence in carrying out their core function of evaluating and providing management with assurance on risk management.

Keywords: Internal Audit, Risk Management, Public Sector

INTRODUCTION
Public institutions set up by an Act of parliament are by that Act, mandated to provide services or products for public good interest. In developing economy, like Nigeria, public sector represents one of the most dominant economic forces; perhaps due to the fact that government constitutes the largest single business entity and her pattern of expenditure through its various Ministries, Agencies and Departments (MDAs) stimulate a lot of economic activities (Udeh & Eugene, 2016).
No organization whether public or private has the luxury of operating in a risk free environment. “Organizations operate in a very complex and competitive environment, facing many risks as well as internal and external forces, continuously hampering organization objectives” (Coetzee et al, 2012). So, public institutions in the course of carrying out their constitutional mandate, are exposed and vulnerable to numerous risk that threatens their corporate existence and effective service delivery to the public.
Public sector environment is characterized with peculiar and unique challenges such as limited resources, excessive bureaucratic bottleneck, inadequate human and technological capacity, nepotism, political aggressiveness and will, corruption, misappropriation of fund, silo mentality, competing needs and priority and infrastructural backlogs etc. All these dynamics among others, increases the risk profile of the public sector as a whole and places an extra duty of care on public sector management to contain risk within acceptable limit, and internal audit has a role to play in minimizing these risk exposures affecting organizational objectives (Ramamoorti & Weidenmier, 2004). Hence, the concept “Risk Management”.

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Risk management technique (risk control and risk financing) is a valuable management tool which increases an institution’s prospects of success through minimizing negative outcome and optimizing opportunities. Gerrit et al (2010), in his work titled: “Risk Management and internal Control in Public Sector” emphasized that Risk Management is important to the success of public services. “Risk facing entities must be managed to an acceptable level so that objectives can be achieved and a decrease in shareholder value can be avoided” (Coetzee et al., 2012).

Internal audit which carry an activity of providing constant review and appraisal of the systems and procedures introduced by management with the intention to enable the management to control and utilize their resources properly and effectively plays an important role of risk management in an organization (Mu’azu and Siti, 2012). Kokobe & Gemerhu (2016), conducted a research on Risk management techniques and financial performance of insurance companies” to find out how risk control and risk financing as a risk management techniques impact on financial performance of firms. Their finding reveals a positive relationship between Risk management techniques(risk control and risk financing) and financial performance of firms, suggesting that companies should adopt enterprise risk management that is currently the best practice standard and also apply risk management techniques effectively so as to improve on their return on equity and reducing loss ratios.

It is against this backdrop, that this study is carried out to examine and analyze the role of internal audit in risk management of public sector in Nigeria, by providing independent and objective assurance of the effectiveness of risk control and risk financing techniques of risk management. Public institutions must change the traditional role of the audit from evaluating internal control to the process of risk management and corporate governance. It used to be that internal auditing in the public sector served as a simple administrative procedure comprised mainly of checking accuracy of transactions, pre-payment verification and control, counting assets and reporting on past events to various types of management, but in recent times, government in moving towards high levels of transparency must demonstrate accountability in the use of public money and efficiency in the delivery of services, thus, the need for greater competency and professionalism from internal auditors to minimize and manage risk (Deloitte, 2011).

Statement of Problem
Public Sector entities are often characterized with different categories of risk, arising as a result of both internal and external factors such as: failure of contractors or Government agencies to provide services as required, project delays, cost overruns, inadequate quality standards, delay or failed introduction of new technology, loss or misappropriation of fund through corruption, disruption from industrial action, protest, communal clashes, inconsistent programme objectives, inadequate contingency plans, failure to innovate, economic changes, environmental damages etc. All of these risk factors among others threatens the corporate existence and effective service delivery of public sector entities. (DARPG, 2011). Consequently, this has brought the subject of risk management in both government and private institution on the front burner, which has resulted to the development of several government legislations and reforms, such as the Sarbanes – Oxley Act in the USA, the Basel II capital and the revised combined code (2003) in the U.K. and the code of corporate Governance for public companies (part E) in Nigeria among others, to minimize the risk of future major corporate failure via tighter regulation of internal control (Margaret, 2007).

The effectiveness and efficiency of risk control and risk financing (risk management) seems to pose enormous challenges in various industry, public sector not exempted (Robert, 2008). Thus, the problems facing public entities in risk management as identified in this study are: the problem of an effective risk control measures; the problem of choosing an efficient risk financing measures and the challenge of an independent, objective and professional internal audit assurance regarding the effectiveness and efficiency of risk control and risk financing measures (risk management). A conclusion that can be drawn from the State Audit Office’s audit and research experience is that even though internal controls are usually developed for risk management in organizations belonging to the central and local government
subsystems of public finances, risk management techniques (risk control and risk financing) are not fully integrated and thus, not effective within the organizational operations (László et al, 2015).

**Aim of the Study**

The aim of this study is to examine the role and effectiveness of internal audit in risk management in selected public sector Ministries, Departments and Agencies (MDAs) in Rivers State.

**Research Hypotheses**

In this research study, six (6) hypotheses, served as a guide and provided focus to this survey which were tested for acceptance or rejection. Thus, the research study was based on the following null hypothetical statements:

- Ho1: Internal audit independence does not impact on risk control in public entities.
- Ho2: Internal audit objectivity does not impact on risk control in public entities.
- Ho3: Internal audit competence does not impact on risk control in public entities.
- Ho4: Internal audit independence has no effect in risk financing in public entities.
- Ho5: Internal audit objectivity has no effect in risk financing in public entities.
- Ho6: Internal audit competence has no effect in risk financing in public entities.

**LITERATURE REVIEW**

**Theoretical Framework**

In this study, three (2) theories were selected as guild upon which this study was anchored. The theories are agency theory and the institutional theory:

**Agency Theory**

In its primitive form, agency theory relates to situations in which one individual (called the agent) is engaged by another individual (called the principal) to act on his/her behalf based upon a designated fee schedule (Namazi, 2012). In the broad sense, whenever one party (principal) depends on the action of another party (agent), agency relationship arises (Pratt & Zekhanser 1983). Jensen & Meckling (1976) define an agency relationship as a contract by which one or more persons (the principal) hire another person (the agent) to perform some service on their behalf, giving the agent some of their decision-making power. Agency theory in this context provides the basis to explain the services and responsibilities assigned to the internal audit function. An agency operates under the condition of risk and uncertainty. In effect, the basic agency theory usually assumes that both individuals are risk averse. Under this circumstances, the amount and content of the produced accounting information and other information sources would become a significant issue in risk sharing (risk management) and controlling the agent's actions (Namazi, 2012). Agency theory in this area of study, provides the basis to explaining the independent, objective and professional competence required for the role and responsibilities assigned to the internal audit function of risk management (Adams, 1994). The agency theory postulated that the internal auditor as an agent to his principal is expected to possess those skills and abilities such as professional competence, independence, and objectivity in the performance of the risk management task.

**Institutional Theory**

Institutional theory in organizational research is mainly concern with understanding the nature and characteristics of an organization from an open system perspective, focusing on how the organization is affected by its environmental interactions (Meyer and Rowan, 1977). Philip S. (1948), in his study on old institutional theory refers organizations to as organisms that adapts to environmental threats. Philip asserted that the internal structure of the organization is constantly under tension with the external environment, with which the organization interact with to sustain its legitimacy and survival. In this study therefore, the institutional theory provides the theoretical framework on the different applications of risk management processes, approaches and techniques in different field and organizations (private and public) because of the institutional characteristics of these organization. Ignacio C.S.(2013), explained the risk management applications in different field of study; that economics and finance study risk by examining the distribution of corporate returns on investment; banking analyze risk with respect to liquidity, credit and capital adequacy; while psychology and sociology interpret risk in terms of behavioral component. Thus, the approach and assessment of risk management in Private Sector entities
that is profit driven is different from that of the public sector that is non-profit driven because of the different range of stakeholder the organization is accountable to, and the extent to which political and social dimension impact on decision making (Ignacio C. S., 2013). Thus, the institutional theory underpins the use of the two (2) risk management techniques: risk control and risk financing to evaluating the impact and effect of internal audit activities in risk management in the selected public entities in Rivers State Government.

**Internal Audit**

According to the Institute of Internal Auditors (IIA, 2006), internal auditing is “an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”. This definition reveals the scope of modern internal auditing which includes value for money, evaluation of risk, managerial effectiveness and governance processes.

Internal audit’s role in risk management involves assessing and monitoring the risks that the organization faces, recommending the controls required to mitigate those risks, and evaluating the trade-offs necessary for the organization to accomplish its strategic and operational objectives.

**Audit Independence**

According to Stewart & Subramaniam (2010), the motivation for increased interest in the objectivity and independence of internal audit is associated with “the evolving and expanding role of internal audit as key corporate governance mechanism, as well as an internal consultancy service. In this respect, internal auditors occupy the unique position as providers of both assurance services within the organization, and consultancy services to managers.”

Vansco et al (1997) noted that without independence, the desired results of the IA cannot be realised. He also concluded that that the role of internal audit requires unrestricted independence in order to perform a variety of duties for the organization they serve.

The IPPF attribute standard 1100 which define independence as the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner, asserted that the internal audit activity must be independent in performing their work. Independence is fundamental to the reliability of auditor’s reports. Those reports would not be credible, and investors and creditors would have little confidence in them, if auditors were not independent both in fact and appearance. The assurance services provided by auditors derive their value and credibility from the fundamental assumptions of independence of mind and independence in appearance (Stewart & Subramanian, 2010).

**Audit Objectivity**

IIA (2009), stated that the core role of internal auditing with regard to enterprise risk management is to provide quality and objective assurance to the board on the effectiveness of risk management. IIA, also asserted that research has shown that the two most important ways that internal auditing add value to the organization is in providing objective assurance that business risks are being managed appropriately, and that the risk management and internal control framework is operating effectively.

The IPPF Standards defined Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. The Standards also asserted that Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional, and organizational levels.

**Audit Competence**

Competence of internal audit staff is also considered as one of the variables in measuring internal audit in this study. The IPPF attribute standard 1200 propounded that all internal audit work and engagement must be done with proficiency and due care. The internal audit staff must possess the requisite knowledge, skills, competence and professional proficiency needed in carrying out their responsibilities and duties, and must apply the care and skill expected of a reasonably prudent and competent internal audit staff.
IPPF defines proficiency as a collective term that refers to the knowledge, skills, and other competencies required of internal auditors to effectively carry out their professional responsibilities. It encompasses consideration of current activities, trends, and emerging issues, to enable relevant advice and recommendations. Internal auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications, such as the Certified Internal Auditor designation and other designations offered by The Institute of Internal Auditors and other appropriate professional organizations.

**Risk Management**

The concept of risk management evolved from the insurance industry where risk financing was the main risk management activity (Gerry, 2001).

The concept of risk management does not have a generally accepted definition. The Standards of Internal Audit define risk management as the process of identification, evaluation, and control of potential events or situations in order to give reasonable assurance in respect of the achievement of objectives (Eugeni & Aurelia, 2009). The Committee of Sponsoring Organizations of the Treadway Commission (COSO), ERM – Integrated Framework, 2004: “Enterprise risk management is a process, effected by an entity’s board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives”.

George L. H. (2009), defined risk management as the process of planning, organizing, directing, and controlling resources to achieve given objectives when surprisingly good or bad events are possible.

**Risk Control**

According to IIA & RIMS (2012), in their work on “Risk management and Internal Audit: forging a collaborative alliance”, risk control was a major evolutional development strategy in risk management that combine a few risk functions into an integrated/advanced risk management function, focusing primarily on managing insurable hazard losses through prevention and severity decline(reduction). They also added that risk control approach focuses on threat facing the organization.

Vaughan (2008), defined risk control as a techniques that are designed to minimize, at the least possible costs, those risks to which the organization is exposed to.

Ignacio (2013), asserted that risk control are those measures designed and adopted by the organization to minimize those risk which the organization are exposed to.

Risk control are those measures put in place to stop losses from happening (by reducing the number/size of the accidental losses an organization suffers) or increases the predictability of accidental losses (George, 2009). Risk control is basically concern with putting all organizational or operational risk on check, ensuring that they do not escalate to the point where the organization objectives and survival is threatened. Risk control therefore, is a key component in any organizational strategy. It’s important to ensuring long-term organization sustainability and profitability.

Vaughan (2008), explained that in the application of risk control within an organization, decision are often made to prevent a risk from occurring, by refusing to accept an activity or business proposal because of the inherent risk, which he referred to as risk avoidance method.

George L. H. (2009), opined that when the magnitude of loss is greater than the reward from a risky venture, risk avoidance becomes an important decision to manage such risk. He however asserted that, while exposure avoidance can be a very powerful risk control tool, it can be used only very selectively. Thus, risk control through risk avoidance utilizes cost-benefit analysis.

Pom & Associates Insurance Brokers in its publication on the fifth pillars of risk control explained that risk avoidance is the best means of loss control. This is because, as the name implies, you’re avoiding the risk completely. If your efforts at avoiding the loss have been successful, then there is a 0% probability that you’ll suffer a loss (from that particular risk factor, anyway). This is why avoidance is generally the first of the risk control techniques that’s considered. It’s a means of completely eliminating a threat.

Also, risk control is measured by how much the organization is able to checkmate and reduce to the barest minimum risk within the system (inherent risk) that cannot be avoided. This risk control measures are referred to as risk reduction method. It is the procedures and policies designed by management to
checkmate to negative exposure of an inherent risk within the organization. These procedures and policies are also referred to as internal control measures put in place to prevent or reduce the occurrence of risk within the organization. Vaughan (2008), explained that risk reduction measures are designed to reduce the likelihood of loss or the potential severity of the losses that do occur.

**Risk Financing**

Another variable for measuring risk management examined in this study is Risk financing, which is one of the component of risk management techniques or tools.

It has been argued in several literature that risk cannot be completely eradicated in an organization and that venturing into any activities of business calls for risk. Inherent in every organization is an unavoidable risk as long as the organization is in existence. Eugenia T. & Aurelia S. (2009), asserted that risk is unavoidable and it is permanently inherent in all the activities of all entities. The challenge therefore is what to do with the risk that cannot be avoided. How can the unavoidable risk that is permanently present in an organization be managed? What are the insurable and contractual risk facing the entities? All risks that cannot be avoided or reduced must by definition be transferred or retained through risk financing techniques (Vaughan, 2007).

The IIA & RIMS (2012) explained that the evolution of risk management function began originally with risk financing which primarily deal with risk transfer, whether through hedging, insurance or some other instruments and is characterized as traditional/defensive risk management. They also asserted that risk financing focuses on insurance, contractual and transaction risks.

George L.H. (2009), explained that only exposure avoidance totally eliminates a given loss exposure. Each of the other risk control techniques leaves open the possibility—no matter how unlikely or how small—of some accidental losses arising from each loss exposure. As long as these possibilities exist, effective risk management calls for arranging one or more sources of funds to pay for every possible accidental loss, which is risk financing.

According to Vaughan (2008), risk financing consists of those measures or arrangements designed by management to guarantee the availability of funds to meet those losses that do occur as a result of risk that is inherent within the organization.

Global Humanitarian Report (2014), defines risk financing a set of measures designed to shift the mobilization of funds away from ad hoc efforts in the wake of a crisis, and towards a risk-informed strategy to secure access to funds in advance of anticipated crisis events, effectively smoothing the financial impact of post-crisis response and recovery over time. And that, Risk financing mechanisms include savings and reserves, access to credit and market-mediated risk transfer products such as insurance and catastrophe bonds.

Risk retention strategy which is an internal risk financing method is taken care of by different means within the organization, which among other means include, reserves, specific budgets or funds set aside to manage those retained risk within the organization or meet the deviation of expected losses. (Vaughan, 2008).

**EMPIRICAL LITERATURE REVIEW**

Some empirical studies have been done on this subject matter in some countries of the world.

Gherai et al (2004), did a research on the role of internal auditing in risk management in the public sector and local entities – Case Study Bihor County. Their study show that the independent assurance of internal audit activity on the process of risk management was 66.6%. The study also identified some shortcomings in their analysis, among which was the lack of specialist personnel, and the conclusion was that the problem of lack of professional personnel in the field of public internal audit at the national level is reflected in the local plan generated by the current economic situation of the country.

Gherai & Balaciu (2004), in their work which focuses on the “Role of Internal Auditing in Risk Management in the public sector and local entities in Bihor County, Romania” explained that Based on responses from 49 entities from public sector, the result of the study show that the public internal auditors know they can play an important role in the risk management, but there is a number of other activities which must be conducted within the organization. So, they tend to understand the concept of risk
management and risk management process, where it is carried out, and of the role they can play in improving and activity, however, issues of disposable incomes allocated to activity, and enough personnel specializing in the field, as well as a lack of interest of management to increase the efficiency and profit of the public internal audit activity, are issues that impede performance and risk management. Elizabeth & Diane (2014), conducted a global assessment based on IIA’s global internal Audit survey on the nine elements required for internal audit effectiveness in the public sector and found out that almost all Chief Audit Executives respondents (92%) agreed or strongly agreed that independence was a key factor for the internal audit activity to add value, and that In response to a question related to coercion, about a fifth of the internal auditor respondents (21%) indicated that they had been subject to coercion (extreme pressure) to change a rating or assessment or to withdraw a finding in an internal audit report. The highest percentage was in Africa (31%), and the lowest was in the United States and Canada (13%).

Elizabeth & Diane (2014), also in their a global assessment based on IIA’s global internal Audit survey on the nine elements required for internal audit effectiveness in the public sector explained that almost all the Chief Audit Executive (CAE) respondents (96%) agreed or strongly agreed that objectivity was a key factor for their internal audit activity to add value. This statement was further confirmed when 78% of Chief Audit Executive (CAE) respondents selected objectivity and/or governance and ethics sensitivity as one of the five most important behavioral skills necessary for the internal audit staff. These results confirm the importance of internal audit staff being objective and perceived to be objective in the conduct of their work.

Laszlo et al (2015), carried a study on “Risk analysis and Risk Management in the public sector and in public Auditing”, the study shows that even though internal controls are usually developed for risk management in organizations belonging to the central and local government subsystems of public finances, the conscious management of risks is not implemented. And that risk management activity fails to serve its function in most public entities.

Christo & Ben Marx (2016), conducted a research on “Internal Audit Risk Management in Metropolitan Municipalities in South Africa. The study reveals that internal audit contributes to the risk management process of the metros. And that in the course of the study, 75% of the audit committee in metros indicated that internal audit’s evaluations of the possibility of fraud occurring assisted them in their risk management oversight responsibility, thus, this reveals that internal audit evaluations can provide information to audit committee on fraud management programmes designed to counter financial statement fraud.

A related study carried out in the Nigerian experience with the objective of enhancing good governance in the public sector through internal audit function by Taiwo et al (2016) showed that the effectiveness of Internal Audit Function (IAF) in Nigerian public sector organizations was moderate since internal audit system in the public organizations was not absolutely independent and professional competence was limited due to the challenge of insufficient funds to successfully carry out its duties. Moreover, the study revealed that IAF had significant and positive effect on the quality of service delivery and management of resources in the public organizations.

Udeh & Eugene, (2016) in their study on the evaluation of the effectiveness of internal Audit in the Nigeria public sector found and observed the implicit existence of effective internal audit procedures to safeguard assets of organizations, but that there is the need for adequate internal audit personnel and training, as this would increase their effectiveness. It is not sufficient in itself to have a system of risk management with risk management measures developed, but also to have these risk measures developed implemented and monitor through the risk management process, as this will guarantee public sector efficiency. Jo Williams, (2017) in his paper, affirm that for effective implementation of risk management, it is important to have consensus over the relative significance of risks management across the different levels of the organization.
RESEARCH METHODS

Research Design
The study adopted quasi-experimental design. The quasi-experimental research design was adopted in alignment with cross sectional survey. This is because all the entire population or variables are outside the control of the researcher and cannot be studied, so a survey was more appropriate. The research was descriptive in nature. According to Saunders et al (2007), a descriptive cross sectional survey in nature, is a method of social affairs data that examines the people who are the object of the examination and having a place with an agent test, through an institutionalized addressing strategy with the point of contemplating connections between variables at a particular time.

This research design is thus, most appropriate since the objective of the study is to examine the role and effect of internal audit in risk management.

Sample and Sampling Techniques
The target population of this study consists of selected ministries, departments and agencies (MDAs). Thus, for ease and convenience the sectors were merge and categorized into ten (10) groups. In all the ten (10) MDAs that were chosen, respondents from each were selected purposively with their attendants to include the numbers of employee from the cluster. Stratified random sampling techniques was adopted in the choice of the respondents for this study. A total population size of 150 and sample size of 109 was determined using Taro Yamane’s formula at 0.05 level of significance. Also, 109 copies of questionnaire were distributed to the respondents, while 90 copies were completed and retrieved.

Methods of Data Collection/Instrumentation
Semi-structured questionnaire was used as instrument to collect data for the study. The research questionnaire was designed by the researcher and coined from the early work of Brink (2019) and Dennison (2014) based on the specific objectives, research questions, hypotheses and information in this study.

Methods of Data Analysis
The researcher assembled all the returned copies of the questionnaire, sort out the ones that are properly filled and separate them from the ones not properly filled. The questionnaire was coded for analysis using SPSS version 20. Descriptive statistics of percentage and inferential statistics were used to analyze the questionnaire instrument. Also, Spearman’s Rank Order Correlation Co-efficient were used for data analysis.

Model Specification
Two models are formulated for this study, which are specified below:
RC = α + β1AI + β2AO + β3AC + εi
RF = α + β1AI + β2AO + β3AC + εi

Where,
a, is the intercept of relationship or parameter estimates in the model
β, is the regression coefficient or parameter estimates for the model
ε, is the error terms or residual value
AI is Audit Independence; AO is Audit Objectivity; AC is Audit Competence
RC is Risk Control; RF is Risk Financing.

RESULTS AND DISCUSSION

Test of Hypotheses
The statistical tool used to test the hypothesis was spearman’s rank co-efficient of correlation. The study adopted the 0.05 level of significance as a criterion for significant or non-significant effect for the acceptance or rejection of the hypotheses.

Hypothesis 1 (Ho1): Internal audit independence does not impact on risk control in public entities.
The Correlation was significant at the 0.05 level (2-tailed).
The correlation coefficient (r) was 0.895, which means it is positively correlated, and strong relationship exist among the variables. The significant value of 0.040 (p < 0.05) shows a significant relationship.
Thus, the null hypothesis was rejected and the alternate hypothesis accepted which states; Internal Audit Independence has an impact on risk control in public entities. This indicates that internal audit independence has positive impact in Risk management in the Nigerian public sector.

**Hypothesis 2 (H₀₂):** Internal audit objectivity does not impact on risk control in public entities. The Correlation was significant at the 0.05 level (2-tailed).

Since the correlation coefficient (r) was 0.844, which means it is positively correlated, and strong relationship exist among the variables. The significant value of 0.044 (p < 0.05) shows a significant relationship. Thus, the null hypothesis was rejected and the alternate hypothesis accepted which states; Internal Audit objectivity has an impact on risk control in public entities. This indicates that internal audit objectivity has positive impact in Risk management in the Nigerian public sector.

**Hypothesis 3 (H₀₃):** Internal audit competence does not impact on risk control in public entities. The Correlation was significant at the 0.05 level (2-tailed).

Since the correlation coefficient (r) was 0.872, which means it is positively correlated, but strong relationship exist among the variables. The significant value of 0.044 (p < 0.05) shows a significant relationship. Thus, the null hypothesis was rejected and the alternate hypothesis accepted which states; Internal Audit competence has an impact on risk control in public entities. This indicates that internal audit competence has positive impact in Risk management in the Nigerian public sector.

**Hypothesis 4 (H₀₄):** Internal audit independence has no effect in risk financing in public entities. The Correlation was significant at the 0.05 level (2-tailed).

Since the correlation coefficient (r) was 0.855, which means it is positively correlated, and strong relationship exist among the variables. The significant value of 0.041 (p < 0.05) shows a significant relationship. Thus, the null hypothesis was rejected and the alternate hypothesis accepted which states; Internal Audit Independence has an impact on risk financing in public entities. This indicates that internal audit independence has positive impact in Risk management in the Nigerian public sector.

**Hypothesis 5 (H₀₅):** Internal audit objectivity has no effect in risk financing in public entities. The Correlation was significant at the 0.05 level (2-tailed).

Since the correlation coefficient (r) was 0.822, which means it is positively correlated, and strong relationship exist among the variables. The significant value of 0.046 (p < 0.05) shows a significant relationship. Thus, the null hypothesis was rejected and the alternate hypothesis accepted which states; Internal Audit objectivity has an impact on risk financing in public entities. This indicates that internal audit objectivity has positive impact in Risk management in the Nigerian public sector.

**Hypothesis 6 (H₀₆):** Internal audit competence has no effect in risk financing in public entities. The Correlation was significant at the 0.05 level (2-tailed).

Since the correlation coefficient (r) was 0.740, which means it is positively correlated, and strong relationship exist among the variables. The significant value of 0.032 (p < 0.05) shows a significant relationship. Thus, the null hypothesis was rejected and the alternate hypothesis accepted which states; Internal Audit competence has an impact on risk financing in public entities. This indicates that internal audit competence has positive impact in Risk management in the Nigerian public sector.

**DISCUSSION OF FINDINGS**

The research findings reveals that a significant relationship exist between internal audit and risk management, and that internal audit has a role to play in the risk control and risk financing of an organization, which therefore, asserts that internal audit activities has significant impact in risk management.

From the research study, the respondents agreed vividly, that internal audit independence enhances risk control and risk financing which were used as a measure of risk management; and the hypotheses (hypothesis 1 and 4) test findings shows that there is a strong and positive significant impact of internal audit independence on risk control and risk financing. This indicates that internal audit independence has positive impact in Risk management in the Nigerian public sector. For an effective evaluation of risk control and risk financing in an organization, internal audit who has a role to play in the risk control and
risk financing of an organization must be independent. This finding is in line with earlier findings that the independence of internal audit department and the level of authority to which the internal audit staff report are the important criteria influencing the objectivity of its work, and that internal audit independence is more crucial to the effectiveness of the internal auditors, as it protects the auditor from pressure or intimidation, and increases the reliability and credibility of the auditing work (Cohen & Sayag, 2010). Independence allows the auditor to carry out his audit work and be perceived to carry out such conduct work without interference by the entity under audit.

The respondents in this research study agreed that internal audit objectivity influences risk control and risk financing in an organization; and the hypotheses (hypothesis 2 and 5) test findings shows that there is a strong and positive significant impact of internal audit objectivity on risk control and risk financing. This indicates that internal audit objectivity has positive impact in Risk management in the Nigerian public sector. For an effective evaluation of risk control and risk financing in an organization, internal audit who has a role to play in the risk control and risk financing of an organization must be objective. This is in agreement with the assertion of the Institute of Internal Audit that the core role of internal auditing with regard to enterprise risk management is to provide quality and objective assurance to the board on the effectiveness of risk management, and that the two most important ways that internal auditing add value to the organization is in providing objective assurance that business risks are being managed appropriately, and that the risk management and internal control framework is operating effectively (IIA, 2009).

The respondents in this research study also vividly agreed that internal audit competence influences risk control and risk financing in an organization; and the hypotheses (hypothesis 3 and 6) test findings shows that there is a strong and positive significant impact of internal audit competence on risk control and risk financing. This indicates that internal audit competence has positive impact in Risk management in the Nigerian public sector. For an effective evaluation of risk control and risk financing in an organization, internal audit who has a role to play in the risk control and risk financing of an organization must be qualified, experienced and competent. This is in line with the assertion of IPPF attribute standard 1200 that all internal audit work and engagement must be done with proficiency and due care, and that the internal audit staff must possess the requisite knowledge, skills, competence and professional proficiency needed in carrying out their responsibilities and duties, and must apply the care and skill expected of a reasonably prudent and competent internal audit staff. IIA (2009), also added in the area of skill and knowledge need of internal auditing by stating that any internal auditor who cannot demonstrate the appropriate skills and knowledge should not undertake work in the area of risk management. Thus, internal auditor and risk managers should share knowledge, skills and value, Both for example in understanding corporate governance requirements; having project management, analytical and facilitation skills and value; having a healthy balance of risk rather than extreme risk-taking or avoidance behavior.

From tables 4.14 on the role of internal audit in risk management, it was reveal from the respondents’ responses that internal audit evaluates the risk management process and also provides assurance to management on risk management process, but that internal audit is not accountable for risk management and does not takes decision on risk responses. This is in line with the position paper developed by the institute of internal auditing (IIA, 2003) on “The Role of Internal Auditing in Enterprise-wide Risk Management,” where the role of internal auditing in risk management were outlined and the roles internal auditing should not undertake to protect the internal audit’s needed independence.

SUMMARY
The empirical scope of the research is delineated to the evaluation of internal audit activities in risk management of public entities in Nigeria with the exclusion of the private sector from the research study. And in evaluating and measuring the variables in this study, Internal audit as an independent variable was limited to the use of independence, objectivity and competence as measuring proxies, while risk management was evaluated and measured using risk control and risk financing. The study was limited to the use of validated primary data for analysis.
The study revealed that the internal audit had an impact on risk management as far as respondents are concerned in Rivers State Government MDAs. The independent variable in this study is “Internal audit”. The proxies are internal audit independence, internal audit objectivity and internal audit competence. While the dependent variable for this study is “Risk management”. The measures of ‘Risk management’ which includes: risk financing and risk control. This study also considered the relationship between the predictor variable and criterion variable. The ex-post facto design was used in line with purposive sampling techniques. Findings reveal that there exist positive relationships between the predictor variable and criterion variable proxies.

CONCLUSION
Risk management is a fundamental element of corporate governance. Management is responsible for establishing and operating the risk management framework on behalf of the board. Enterprise-wide risk management brings many benefits as a result of its structured, consistent and coordinated approach. Internal auditor’s core role in relation to risk management should be to provide an independent, objective and professional assurance to management and to the board on the effectiveness of risk management. When internal auditing extends its activities beyond this core role, it should apply certain safeguards, including treating the engagements as consulting services and, therefore, applying all relevant Standards. In this way, internal auditing will protect its independence and the objectivity of its assurance services. Within these constraints, internal audit will be able to carry out its risk management function effectively. The effectiveness of a risk control system and the efficiency of a risk financing option requires an independent, objective and competent internal audit function, as the study shows that there is a positive correlation between internal audit and risk management techniques (risk control and risk financing).

RECOMMENDATIONS
Based on the results of findings, the following are recommendations for future implementation.

It should be clear that management remains responsible for risk management.

The nature of internal auditor’s responsibilities should be documented in the internal audit charter and approved by the audit committee.

Management, government and other stakeholders should provide internal audit with the necessary support and environment that guarantee their independence, objectivity and competence in the discharge of their core risk management role without undue influence and interference.

Internal auditing should not take any risk decision on behalf of management.

Internal auditing should provide advice, challenge and support to management’s decision making, as opposed to taking risk management decisions themselves.

Any internal auditor who cannot demonstrate the appropriate skills and knowledge should not undertake work in the area of risk management. Thus, internal audit must maintain high level of professional proficiency, skill and competence needed to carry out its risk management role.

Internal audit should maintain high level of objectivity and independence in carrying out their core function of evaluating and providing management with assurance on risk management, and should observe all safeguards to mitigate threats on audit objectivity and independence. This will guarantee integrity, reliability and credibility of assurance report on risk management provided.

Furthermore, the head of internal audit should not provide risk management services in areas, if adequate skills and knowledge are not available within the internal audit activity and cannot be obtained from elsewhere.

Government should ensure that MDAs imbibe a culture of risk management within the organization by ensuring an effective risk control system and an efficient risk financing options.

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