



Depoliticization, Organizational Contingencies and Internal Audit Effectiveness: A case of Local Government Councils in Nigeria

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Abstract

The pervasive nature and value addition of internal audit function has made the concept a prevalent phenomenon among organizations. To be effective, IA function is said to be contingent upon diverse organizational characteristics. Findings of prior studies that investigate the relationship of one or more organizational characteristics on internal audit (IA) effectiveness have revealed confounding results. Moreover, the effect of politics on organizational studies have not been adequately investigated by previous studies. Drawing from resource base theory and institutional theory, the purpose of this paper is to empirically investigate the role of depoliticization in moderating the relationship between organizational contingencies and IA effectiveness. A total of 236 finance directors and internal auditors of local governments participated in the survey research. Partial Least Squares Structural Equation Modeling (PLS-SEM) was adopted to test the postulated hypotheses. The findings of the paper revealed that, there is significant positive relationship between organizational contingencies and IA effectiveness. Furthermore, the paper revealed that depoliticization moderates the relationship between organizational contingencies and IA effectiveness, such that the effect of organizational contingencies on IA effectiveness was found to be significant for local governments with higher depoliticized internal audit function and processes. Consequent upon this, this paper recommends thus: first, the local government managements should advocate for policy that will entrench the significance of competence and professionalism in the discharge of internal audit responsibilities. Second, efforts should be put in place through adequate funding and sensitization to adopt information technology as a way of enhance competitive advantage for the local government councils. Finally, the local government regulators should institute mechanisms to limit political maneuvering and interests amongst the local government actors when taking decisions regarding internal audit function and process.

Keywords: Internal audit, Depoliticization, Organizational contingencies, Theory, Empirical analysis

1. Introduction

Auditing is a legal requirement which enhances credibility and reliability of the annual financial reports produced by managers of organizations as a stewardship undertaking to owners (Eze, 2016). In line with imperatives of accountability, managers are required to put in place effective internal audit system to enhance the periodic rendition of financial reports

regarding the organization's performance. Internal audit (IA) serves as a value adding function which enhances organizational operations. According to the Global Institute of Internal Auditors (IIA), "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve



organization's operations. (IPPF, 2017, p.2).

Internal audit system within an organization is an important organizational control mechanism with value adding function and ranges of services that enhances organizational operations, including: assisting organization to conform with regulatory provisions (Mihret et al., 2010); increasing the achievement of organizational objectives (Yee, Sujana, James, & Leung, 2008); assisting organization accomplish economy, efficiency and effectiveness (Baharudin et al., 2014) and management of risk (Nagy et al., 2002). Others involves, enhancing prevention of capital wastage arising from fraud and mismanagement (Yuniarti, 2017) and improve operational processes (Christ et al., 2015).

The extent to which the internal audit system can add value impliedly dependent on its level of effectiveness (Lenz et al., 2018; Lenz & Hahn, 2015). Moreover, the validity of this notion has been debated. While some limited literature on the subject (e.g. Lenz et al., 2018; Mihret et al., 2010; Yuniarti, 2017) argue that the function may not always be effective. Others (e.g. Al-Twaijry et al., 2003; Arena & Azzone, 2009) opined that the level of effectiveness is contingent upon some contextual and organizational factors.

The present paper attempts to extend the work of Mustapha (2020) published in *Ilorin Journal of Accounting* (Vol. 7 issue 1). In the study, Mustapha (2020) developed a conceptual framework that seeks to explain the interrelationships between organizational contingencies, IA effectiveness and the effect of depoliticization. The premise upon which the conceptual framework was developed centers on three gaps observed in previous studies. First, continuous calls by previous studies for additional studies to identify critical drivers of IA effectiveness that may increase internal auditors' prowess for IA functions adding value to the operation of

organizations (Chang et al., 2019; Coetzee & Erasmus, 2017; Gamayuni, 2018; Mihret & Yismaw, 2007). Second, due to the confounding results of previous studies on the precise drivers of internal audit to be effective, the developed framework identified internal audit staff competence (IASC) and information communication technology adoption (ICTA) as critical explanatory contingencies that could significantly influence IA effectiveness. Third, the impediments caused by political interferences in the analysis of organizational contingencies which weakens IA effectiveness was observed. Thus, the author incorporated the theory of depoliticization as an intervention (moderation) to ameliorate the weaknesses in model development.

However, despite the noteworthiness of the aforementioned conceptual framework, the absence of an empirical study to validate the conceptualized interrelationships in a given context remained a limitation in the paper. Therefore, the objectives of this paper is to carry out an empirical research in the context of local government councils in Nigeria to determine significance of the relationships in the model. The essence of studying the local government council is due to the functional roles and responsibilities they play in national development. Besides, examining the effectiveness of audit function of the local council and the interplay of politics in the process provides better insight to determine the extent of credibility and reliance that can be placed on their financial reports and the overall performance as a critical tier of government.

The remaining parts of the paper continues through the following sections: Section 2 recapitulate the conceptual framework and its underpinning theories. Section 3 provides the research design and measurement of variables. The data presentation and analysis were presented in section 4. Section 5 provides the study's

findings and implications. Section 6 provides the conclusion.

2. Literature Review

2.1 Reviews on Conceptual Variables

This section recapitulates the conceptual analysis which forms the framework developed by Mustapha (2020). The framework consists of variables developed through the reviews of extant literatures and theories to explain the logical interrelationships among identified variables. The major components of the framework include IA effectiveness as the dependent variable, organizational contingency as the explanatory variables and depoliticization as the moderating variable.

Internal Audit Effectiveness

The term internal audit has been argued to bear different meanings according to interpretation of authors (Roussy & Brivot, 2016). Mihret and Yismaw (2007) argued that, recent efforts to improve the functions of internal audit has shifted from focusing on accountability outcomes of the past, rather, efforts now is to improving future outcomes, so that organizations may achieve effective and efficient performance. Thus, as shown by the Institute of Internal Auditors (IIA), internal audit (IA) is defined as an independent, objective assurance and consulting activity designed to add value and improve organization's operation (IIA, 1999). Similarly, Bota-Avram and Palfi Cristina (2009), Ridley (2008), noted that modern IA has been constructed upon the achievement of the three "E's" - effectiveness, efficiency and economy. Where effectiveness involves "doing the right thing", efficiency means "doing them well" and economy means "doing them cheaply". Lenz and Hahn (2015) argued that, the aspect of effectiveness is seen as the most useful among the three 'Es'. They argued that effective IA is futile irrespective of how efficient or economical the service is being performed.

The Functional significance of IA enhances the accomplish of organizational objectives through involvement of systematic, disciplined approach to examine and enhance effective risk management, controls and governance processes (Drogalas et al., 2015). Moreover, IA enhances organization's compliance with relevant laws and regulations (McMullen, 1996), enhances the work of external auditors (Messier, Reynolds, Simon, & Wood, 2011); detects the weaknesses in organizational procedures (Doyle, Ge, & Mcvay, 2007) and provides independent assessment of organization's operations (Stewart & Subramaniam, 2010). Moreover, Al-Twajiry, Brierley and Gwilliam (2003) identified the two significant benefits of internal audit to organizations, including, financial audit and performance audit. Financial audit involves the prevention and detection of irregularities arising from mistakes or fraud, and the safeguarding of the assets of an organization. Performance audit on the other hand, relates to the economy, the efficiency and the effectiveness of various aspects of the organization with particular interest of adding value to its operational performance.

Internal Audit effectiveness have been differently operationalized in different reviews on accounting-audit literatures (Alqudah et al., 2019). In other words, to be effective, internal audit activities must be influenced by series of organizational and institutional factors. For instance, the degree of compliance with guidelines suggested by professional bodies (e.g. ISPPA, IIA, IPPF) (Al-Twajiry et al., 2003; Baharuddin, Shokiyah, & Ibrahim, 2014); Ability to satisfy the needs of the audit organizations (Cohen & Sayag, 2010, Frigo, 2002); extent to which internal audit recommendation are endorsed and acted upon by management (Mihret & Yismaw, 2007, Arena and Azzone 2009); ability of the internal audit function to positively influence quality of corporate governance,

are commonly used to determine IA effectiveness (Lenz et al., 2018).

Nonetheless, despite the noteworthiness of the respective measure above, previous studies have noted the inadequacy of one single measure to determine the extent of IA effectiveness holding to the limitation in measurement robustness and precision (e.g. Alzeban & Gwilliam, 2014; Cohen & Leventis, 2013 ; Lenz & Hahn, 2015; Mihret et al., 2010). Therefore, in order to overcome the gaps in previous studies, this paper adapts a multi-item measure from prior studies to determine IA effectiveness for the concerned unit of analysis. Thus, IA effectiveness has been measured in this paper using six items. The items were adapted from the study of Bota-Avram and Palfi Cristina (2009) and Cohen and Sayag (2010). The items relate to issues of auditing regarding accomplishment of internal audit objectives, level of communication between internal audit and external audit, efficiency of the internal audit work, appropriateness of justification for audit findings among others. In particular, other than Bota-Avram and Palfi Cristina (2009) and Cohen and Sayag (2010), these items have also been adopted by authors to determine IA effectiveness (e.g. Baharud-din et al., 2014; Barac & Van Staden, 2009; Kaplan & Reckers, 1995; Mihret & Yismaw, 2007; Mohamad-Nor et al., 2010)

Organizational Contingencies

Organizational characteristics refers to contingent factors within an organization which potentially influence performance outcomes (Mustapha, 2019). In other words, organizational contingencies can be seen as endogenous organizational resources which widely influence organization's performance (Thong & Yap, 1995). Said, Abdullah, Uli, and Mohamed (2014) refers to organizational contingencies as the embodiment of organizational management operational model, adopted through its structure or operational strategy, or culture which defines the nature of its performance expectations.

In the realm of theoretical exigencies, studies in accounting have adopted contingency theory to examine significant organizational factors that affects accounting reporting (Barney, 1991; Lüder, 1992). For instance, Lüder (1992) promulgated theory of contingency to explain how environmental and organizational factors affects financial reporting practices in the public sector (Upping & Oliver, 2011). In the study, Luder explained the consequential effect of 'stimuli' and 'implementation barriers' as essential trigger that causes identified organizational contingencies to influence performance of accounting reporting, occasioned by the diffusion of organizational reform and innovation drive in the public sector. By extension, a study conducted by Brusca and Martinez (2015), examined the organizational variables and conditions that influences accounting reports after adoption of IPSAS in American and European Union countries. Based on Luder's contingency model, the study classified specific organizational factors caused by stimuli and barriers responsible for variation and impact on financial outcomes. Further, Palva and Lourenco (2009), examined organization's contingencies like size of audit firm, strength of execution, market competition as incentives that influences accounting quality in a context of changing accounting innovations and reforms.

Therefore, organizational contingency which is perceived to influence the performance of internal audit (IA) effectiveness in the context of local government are thus operationalized as a reflective measure relating to perceived internal audit staff competence (IASC) and extent of the adoption of information and communication technology (ICT) in the operation of IA functions.

Internal Audit Staff Competence

The concept of competence has been widely and severally defined in the literature. Attributes such as skills, (Nguyen &

Leclerc, 2011), behaviour (Iskandar & Setiyawati, 2015), cognition, corporate culture and personal dispositions (O'Reilly & Chartman, 1994) have been used to describe the concept. According to Dingle (1995), competence is a mixture of knowledge, skills and awareness. Explicitly, Dingle (1995) views knowledge as the understanding of vital principles required to achieve the task at hand; while skill involves the application of the acquired knowledge and awareness (attitudes) refers to the proper application of skill.

In the field of accounting and auditing, extant studies have reported the existence of significant positive relationship between competence and the performance of audit functions and effectiveness (e.g. Baharuddin et al., 2014; Chang et al., 2019; Nagy et al., 2002). Accordingly, the Institute of Internal Auditors-IIA views competence as an important requirement for an internal auditor to effectively discharge the responsibility of audit assignment (IIA, 2012).

Information Communication

Technology (ICT)

Globally, information and communication technology (ICT) is considered as a useful tool that enhances the competitiveness and efficient operation of organizations' activities (Kyobe, 2011). The imperatives of ICT is said to have a significant effect on organization's productivity and performance, particularly if, and when, it is widely spread and used for the operations of the organization (Oliveira & Martins, 2011). Similarly, technology suggest that, ICT is a "means" to an end" (Khan, 2013), while in its widest sense, ICT is the application of modern communications and computing technologies for the creation, management and use of information with a view to expand knowledge. The international federation of accountant (IFAC) defines ICT as "hardware and software products, information system operations and management processes, and

the skills required to apply those products and processes to the task of information production, information system development, management, and control" (Wescott, 2008)

The wide usage of ICT in most fields including the field of accounting, makes it a household name that seems indispensable. Specifically, ICT in processing accounting information, facilitates the automation of accounting information system in an organization; which helps to streamline the process and increase efficiency in communication of financial results (Abrokwah, Quaye, Omondi, Osei, & Sarbah, 2015). It is thus suggestive, according to Nwanyanwu (2016) that, accountants may be confronted with enormous challenges, either as financial accountants, management accountants, consultants, tax planners or as auditors if they would not leverage on the use of ICT in the discharge of their assigned responsibilities. This is because of the complexities in service delivery and the need to improve information transmission, reduce cost and time.

However, the imperatives of ICT-auditing relations have drastically reduced the age long paper-based audit trails to almost non-existent. In the view of Omoteso (2006), ICT has enhanced the practice of auditing functions to the use of technologies and methodologies that are continually changing to measure up to business data processing methods.

Depoliticization

Depoliticization involves limiting the involvement of political maneuver from the institutions and issues of organization's operation, and allow for the emergence of technocratic forms of decision making (Flinders & Wood, 2014). (Burnham, 2015) defines depoliticization as 'the process of placing at one remove the political character of decision making'.(Kettell, 2008) describes, depoliticization as a type of 'statecraft', a governance strategy through which institutional arrangement seek to bare



government from taking responsibility for policy failure which may lead to systematic critique. Similarly, Flinders and Buller (2006) sees depoliticization as the denial of political contingency and the transfer of functions away from elected politicians and allow for the delegation of decisions to technocrats, instituting strict rules-based, limiting government discretion, or discursive manoeuvres aimed at 'preference-shaping'. Implicitly, depoliticization involves playing down the influence of politics in the matter of public service to allow for a level playground for best practice to thrive.

The opposite coin to depoliticization is 'politicization'. It refers to the politician–civil servant interaction and particularly a political control over bureaucratic arrangement in a governmental organization (Hustedt & Salomonsen, 2014). Politicization is a situation which imposes democratic legitimacy and political influence over technocratic/bureaucratic process (Mulgan, 2007). To secure democratic legitimacy, a persistent objective has been to design rules and structures for the operation of bureaucracy in such a manner that political officers can fully access its expertise and qualifications (Page & Wright, 1999). This disposal is typically termed 'responsiveness', which involve the readiness of public servants to do what political office holders want.

However, Political responsiveness are conceptualized as different ways of politicizing. Some notions focus on recruitment as the main point of reference, others involve the behaviour of the civil servant towards political advisers. Recruitment-related politicization is the substitution of political criteria for merit-based criteria in the selection, retention, promotion, rewards and disciplining of members of the public service (Peters & Pierre, 2004). Mulgan (2007) argued that, significant aspects of the appointment issues are grounded in concerns about

public service behavior, in that, politicized appointment will most often encourage politicized actions on the part of public servants. Most cases, politicized appointments undermine the traditional political neutrality expected of career public servants and their capacity to give political officers 'advice' that is 'free and frank'.

Further, the responsibility for politicization of public service resulting from partisan interests of government can vary. On the one hand, it comes as a direct initiative from the politicians exerting explicit pressure on public servant to do their biddings. This can be more daunting if the public servants anticipate penalty from the political masters when they tread on the path of ethical norms. On the other hand, the public servants may choose to be voluntarily subservient, in order to suit the government's policy priorities. Whichever the case, the instituted rules and procedures are compromised in order to satisfy what they believe the government (political master) wants. In all, politicization results to the contamination of civil service arrangement with a likelihood of undermining the significance of technocratic competence, erosion of independence and credibility of civil service responsibilities.

Moreover, the ethical norm expected of a public servant is understood within the context of the values associated with professionalism in the discharge of public service. Therefore, in order to offer the same degree of professional service to governments of differing political persuasions, public servants are expected to maintain a certain distance from the vested interest of the political officer (Mulgan, 2007). Hence, depoliticization is that arrangement to instill such distance and marks the crossing of a line between proper responsiveness to the need of the political officers and prevents undue involvement in the government's political 'games'.

2.2 Underpinning Theories



This paper is underpinned by two theories. Namely the resource-based theory (RBT) and institutional theory (IT). These theories are used to locate the study within the exigencies of theoretical significance.

Resource Based Theory

The resource-based theory (RBT) is an organizational theory that examines the differences in resources that account for the pattern of organizational behaviour and performance (Ahmad, 2015). A key proposition of RBT suggests that, organizations are heterogeneous and are viewed as a distinguishable accumulation of assets (tangible and intangible) and acquired capabilities which has been developed and expanded within a time period (Barney, 1991; Pérez & Castillejo, 2004). The exegesis of RBT shows that, there is functional link between the resources and capabilities which an organization uses which gives it a competitive advantage over other organization.

Before 1990s, the competitive advantages which formed the focus of organization was external characteristics and strategies which respective organization possessed over others (Barney, 1991). During the 1990s, the resource-based view was developed and the focus changed from the external context to the internal environment of the organization. The RBT suggests that organizations are able to achieve competitive advantages when they are able to accumulate and unify rare, valuable, inimitable, and non-interchangeable resources (Barney, 1991). That is, the distinct capabilities or internal resources which an organization possess, determines the extent to which it can implement strategies that will enhance its efficiency and effectiveness (Alqudah et al., 2019).

Furthermore, in a recent study, Shan, Luo, Zhou and Wei (2019), noted that, the role of competitive advantage cannot be achieved solely on the basis of combination of resources which an organization possess. The basic resource theory lies in the combination of organization's skills and

tacit knowledge, including the resources which it accumulates over time. Hence, Shan et al. (2019) described organizational capabilities as intellectual capital; and thus, recommends that, organizations must look inward to build and enhance their capabilities and core competencies which lies on the accumulation of resources and its uses towards promoting competitive advantage.

However, given the development of the society and the rising demand for accountability from managers of corporate entities, managers in the public sector must look inward to develop and build existing capacity towards improved performance. Therefore, the need for the integration and adoption of ICT resources and the improvement of the intellectual capabilities of staff becomes vital for the realization of internal audit effectiveness. Therefore, in order to extend the applicability of the RBT to the understanding of IA effectiveness, this paper theorized that, incorporating ICT and enhancing staff competences are essential organizational resource-capabilities that may provide competitive advantage for the effective performance of the organization through effective IA function.

Institutional Theory

The idea of institutional theory involves the way the society influences the operation of organizations and vice versa (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). The preposition of theory of institution involves external imposition of rules, such as government; socialization processes (internalized values and norms) and the belief systems (Collier and Woods, 2007). Thus, homogeneity is promoted where organizations conform to general norms, traditions and social influences in their internal and external domains (Oliver, 1997). Therefore, institutional theorists opined that successful organizations are those that achieve legitimacy through compliance with social expectations and thus, contribute to the success and going-



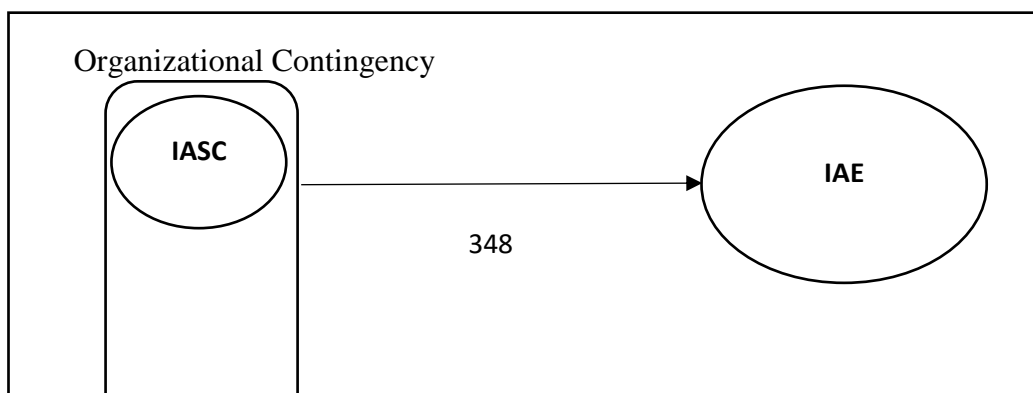
concern of the organizational (DiMaggio & Powell, 1983; Meyer & Rowan, 1983). DiMaggio and Powell (1983) describe changes in organization practice as institutional isomorphism. Isomorphism is a condition by which one section in a population resembles other sections of the population that faces the set of environmental settings (Carpenter & Feroz, 2001). Isomorphic pressure makes organizations to become homogenous within a given environment and thus, conforms to expectation of broader institutional environment. The three institutional isomorphic changes identified by DiMaggio and Powell (1983) includes: coercive isomorphism, mimetic isomorphism and normative isomorphism. DiMaggio and Powell (1983) explain that the level of organization’s dependency on other organizations and the cultural beliefs in the society in which it operates defines the existence of the coercive authority involved. However, this conformity with societal preferences enables organizations secure economic resources, influence and power. Under the mimetic isomorphism, change, DiMaggio and Powell (1983) maintained that uncertainty is a potent inducement for imitation. This is noticeable in particular, when an organization set ambiguous goals or poor understanding of technological innovations that symbolizes uncertainty and may make organizations to integrate themselves on other organizations. The third source of isomorphic change refers to the normative isomorphic theory. The normative isomorphic institutional theory refers to the institutional settings where the convergence of values that lead to conformity of thoughts are promoted (DiMaggio & Powell, 1991). Normative

isomorphic theory is defined according to Carpenter and Feroz (2001) as “organizations’ changing structure and processes for acting in accordance with the professional standards generated by the environment, and adapting the innovations put forward by the professional organizations”.

Relevant to this study, normative isomorphism relates to IA effectiveness based on the idea of institution professionalism, whereby compliance with the auditing standard is paramount (Lenz et al., 2018). In this respect, IA is seen as effective if professional audit institutes can influence the compliance with common norms based on professional knowledge. Such knowledge driven professional norm and guidance regarding auditing procedures and responsibilities are usually outlined by technocrats and national professional institutions.

Therefore, this paper finds the normative isomorphic theory useful to explain the imperative of including the concept of depoliticization as an intervention (moderator) in the relationship between organizational characteristics (IASC and ICT) and IA effectiveness. This is because, depoliticization process can remove the incidence of political manipulation and maneuver which impedes professionalism and technocratic advantages within the organization. Thus, allow for rule-based operations and procedures emanating from technocratic and professional prescription enhances internal audit function

However, based on the theoretical and empirical evidence enumerated above, the conceptual model for the present study is shown in Figure 1.



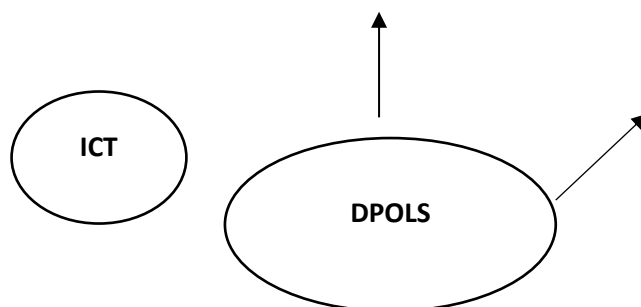


Figure 1: Conceptual Framework

IASC = Internal Audit Staff Competence, ICTA= Information Communication Technology Adoption, IAE = Internal Audit Effectiveness, DPOLS= Depoliticization

The conceptual framework as shown in Figure 1 presents the relationship between identified constructs for the paper. The major components of the framework include IA effectiveness as the dependent variable, organizational contingency (measure through IASC and ICTA) as the explanatory variable and depoliticization as the moderating variable. The conceptual framework was developed to describe the association between critical organizational contingencies and IA effectiveness.

2.3 Conceptual Relations and Hypotheses Development

In order to empirically test and validate the effects and relationships of the conceptual framework as described above, tentative hypotheses were developed.

Organizational Contingencies and Internal Audit Effectiveness

Examination of issues within that underlie internal audit performance among governmental institutions is possibly associated with different contextual factors grounded in organizational theories (Mihret et al., 2010). Generally, organizational contingencies may be seen as vital consideration for IA effectiveness. The following sub-sections examines existing studies in this area with a view to put forth possible tentative hypothesis arising from the relationships between the respective

dimensions of organization contingencies and IA effectiveness.

Internal Audit Staff Competence and IA Effectiveness

Previous studies that have examined the effect of auditor's competency on IA effectiveness has reported significant relationship, ranging from contribution to financial reporting quality; improving organization's operations and ultimately, requirements for IA effectiveness (Al-Twaijry et al., 2003; Cohen & Sayag, 2010; Drogalas et al., 2015). For example, Kabuye, Nkundabanyanga, Opiso and Nakabuye (2017), examined the effectiveness of IA related to fraud management, the study finds among other things that, internal audit competence is a significant predictors of fraud management. Al-Twaijry et al. (2003) in the context of Saudi Arabia, reported a positive influence of internal audit staff competency in terms of training, experience, knowledge, and professional qualifications on IA effectiveness. Similar findings was reported by Ahmad, (2015), Barac and Van Staden (2009) and Yee et al. (2008) from studies conducted in Malaysia, South Africa and Singapore respectively.

In the light of the above, the results of past studies regarding IASC and IA effectiveness relation suggests positive relationship. The plausible explanation is normally because, higher staff competency usually leads to increased performance in organizational operations, including



internal auditing responsibilities. In view of this, the paper hypothesized that:

H1: Internal audit staff competence has a significant positive effect on IA effectiveness

Information Communication Technology Adoption

It is a global understanding that information and communication technology (ICT) is a useful tool that enhances the competitiveness and efficient operation of organizations activities (Kyobe, 2011). A popular notion is that ICT has a significant effect on organization's productivity and performance, particularly if, and when, it is widely adopted and deployed for organizational use (Oliveira & Martins, 2011). Khan (2013) opined that, technology suggest that, ICT is a "means" to an end". In its widest sense, Khan (2013) noted that, ICT involves the application of modern communications and computing device for the creation, management and use of information with a view to expand knowledge. Consequently, the essence of ICT adoption in the operation of audit function have been well documented, and has revealed a significant direct relationship as shown by extant studies. For instance, Mazza and Azzali (2016), tested the relationship between higher quality ICT controls on internal controls, audit effort and audit fees. The cross-sectional study on Italian listed companies using regression analysis revealed that, high quality of ICT Control is related to risk control, audit fees and audit effort. Similarly, Masli, Peters, Richardson and Sanchez (2010) documented that, internal ICT control is related to lower audit fees, decreased incidence of material weaknesses and reduced audit delays.

Therefore, based on the reviews above, it is suggestive that ICT is a noteworthy organizational resource that may positively influence IA effectiveness. Moreover, the theoretical exegesis of resource-based theory suggests that, adoption of ICT in an

organization may enhance the achievement of competitive advantage for the organization to implement strategies that promotes internal audit effectiveness. Based on this, the following hypothesis is advanced:

H2: Adoption of ICT has a significant positive effective on IA effectiveness Depoliticization and IA Effectiveness

Politics is an important phenomenon under a democratic government where transparency and accountability remain a critical mechanism to protect the values and uphold trust in the system. Based on organizational function, internal audit (IA) plays a vital role in enhancing public accountability and transparency including rendition of advisory support to management for effective governance (Alqudah et al., 2019).

The advocacy for the promotion of responsibility for accuracy and objectivity in information reporting among career civil servants relates to the notion of independence. This impliedly lies at the bottom of the independence enjoyed by career public servants in discharging their civil mandates. Accordingly, (Mulgan, 2007) reveal factors that inhibit the capacity for integrity in the governmental organization, including: politicization of the recruitment process of the career public servants (technocrats); lack of regard for professional competence; affiliation and involvement in partisan politics by career public servants and uncertainties for job security.

In practice, the structural arrangement for internal audit function among the Nigerian local governments (being the context of the paper) is such that the internal audit unit is headed by a career internal auditor of the local government council. Thus, the responsiveness of the internal auditor with the regards to the need for integrity in the discharge of the audit responsibilities will not be without challenges. That is, the challenges of ensuring that, the

independence of internal auditor and credibility of the auditing process is eminently inevitable, due to the incidence of politicization as enumerated above. Consequently, for IA functions to perform the laudable function of ‘value addition’, the influence of the politicization on the audit process must be narrowed, so that, technocrats that are saddled with auditing responsibilities (internal Auditor) can apply and implement the instituted audit procedure and regulations in the most effective way. Therefore, relevant to this paper, the notion of depoliticization as conceptualized and envisaged in this paper as a noteworthy variable that can relate positively with IA effectiveness. To validate this point of view, the paper hypothesized thus:

H3: Depoliticization has a significant positive effect on IA effectiveness

2.4 Moderation Effect of Depoliticization

The findings of previous studies that have tested one or more organizational factors on IA effectiveness have reported confounding results. This largely has been ascribed to differences in model specification and contextual differences (Cohen & Leventis, 2013; Mihret et al., 2010). Thus, the need to increase precision in model formulation and test of interrelationships among variables becomes imperative for advancement of behavioral studies (Gerring, 2013). Moreover, the issue of politics remained an organizational phenomenon which ordinarily may not have a direct association with auditing responsibilities. But, extant studies have described it as having considerable implications for organizational performance outcomes including auditing activities (Cohen & Leventis, 2013; Mihret

et al., 2010; Mustapha, 2017; Thomasson, 2018). Therefore, examining the moderating effect of depoliticization on the relationship between measures of organizational contingency and IA effectiveness may provide better insight to understanding auditing activities in the organization. This is because, the consequential effect depoliticization may serve as an important instrument to overcome the negative effect of politicization on the independence and credibility of the auditing operations.

Therefore, to empirically ascertain this, the paper put forth the following hypothesis.

H4: Depoliticization moderate positively the relationship between measures of organizational contingencies and IA effectiveness.

3. Methodology

3.1 Sample and Data Collection

The paper adopted local government councils in Nigeria as the unit of analysis. The population of the study were drawn from 186 local government councils in the seven States of the Northwest geopolitical zones of Nigeria. The scope of the study is organizational, hence the unit of observation of the paper are the directors of finance and internal auditors of the respective local government councils, bringing the total population elements to 372. That is, one director of finance and one internal auditor of each local government council were chosen, based on the understanding that they possessed the required knowledge and experience about local government accounts and auditing operations. Table 1 presents the seven (7) States and their numbers of local government councils.

Table1: States and local governments in the Northwest of Nigeria

State	Jigawa	Kaduna	Kano	Katsina	Kebbi	Sokoto	Zamfara	Total
LG	27	23	44	34	21	23	14	186

Further, a multistage sampling technique was invoked to generate a representative sample for the study. First, from the seven

States, four states were purposefully selected, namely: Kaduna, Kano, Katsina and Sokoto States. These four States were

chosen because they are older States within the zone compared to the remaining three States (Mustapha, 2019). Moreover, since accounting and audit principles among Nigerian local government system are homogenous, the four chosen local governments can be generalizable to the others. Consequently, 124 local government councils comprised the four chosen States (i.e. Kaduna with 23, Kano with 44; Katsina with 34 and Sokoto with 23), which brings the number of observations to 248. Thus, in order to achieve robustness of result in data analysis and to forestall possible incidence

of low respond rate, this paper considers the 248 finance directors and internal auditors as sample size for the study.

Further, self-reported questionnaires were personally administered to the sample local government councils. Prior to administration of the questionnaire, an initial draft of the questionnaire was pre-tested to examine the face validity (i.e. wording, applicability, clarity, simplicity and ambiguity) and goodness of the questionnaire instrument (i.e. consistency and dependability). Table 2 presents the demographic profile of the respondents.

Table 2: Respondents Profile

Characteristics	No. of Cases	Percentage
Gender		
Male	166	67
Female	82	33
Age Group		
41 - 50	207	83
51 - 60	41	17
Years of Experience		
5 - 10 years	98	40
10 years and above	150	60
Educational Qualification		
Bachelor/HND	189	76
Master's	59	24
Professional Qualification		
Yes	37	15
No	211	85

From the 248 respondents, 166 (67%) were male. Most of the participants' age ranged between 41 to 50 years. In terms of years of experience on the job, about 60% of the respondents have well above 10 years' experience. While about 76% having educational qualification of at least a Bachelor's degree or its equivalent (Higher National Diploma, HND). Meanwhile, few of the respondents possessed professional qualification (15%) (e.g. ICAN/ANAN).

3.2 Measurement of Variables

As shown in Figure1 above, three latent variables are to be measured, namely: internal audit effectiveness as the dependent variable, organizational contingencies as the independent variable and depoliticization as the moderator variable. The paper adapted a total of 20 items to measure the three latent variables. To illustrate, IA effectiveness has been measured using six (6) items on issues regarding accomplishment of internal audit objectives, level of communication between internal audit and external audit, efficiency

of the internal audit work, appropriateness of justification for audit findings among others (Bota-Avram & Palfi Cristina, 2009; Cohen & Sayag, 2010). Organizational contingencies were measured based on two dimensions i.e. internal audit staff competence (IASC) and information communication technology adoption (ICT). IASC was operationalized through four items that examined respondents' qualification, capacity for requisite auditing skills, adequate auditing experience and familiarity with current developments in auditing (Ismail & Abidin, 2010; Nguyen & Leclerc, 2011; Puncreobutr et al., 2017; Saputra & Hutahaeon, 2016). ICT on the other hand, was measured through six items involving information intensity for inter-departmental communication (Zorn et al., 2011), information intensity for intra unit communication (Chau & Tam, 1997; Xiong et al., 2013; Zorn et al., 2011); financial support by management (Xiong et al., 2013;

Zorn et al., 2011); proficiency of staff on the use of ICT (Thong & Yap, 1995; Zorn et al., 2011), level of ICT awareness of top management (Zorn et al., 2011) and technical support for ICT development (Heintze & Bretschneider, 2000).

Further, Depoliticization was measured using four items adapted from the study of Mulgan (2007). The items measured the recruitment policy of staff (technocrats); extent of consideration for professional competence at work; assessment of level of affiliation and involvement of career public servants in partisan politics and evaluation of certainty of job security. In all, the items were rated based on 7-point Likert-scale as respondents were required to express their level of agreement. That is, 1 (strongly disagree) and 7 (strongly agree). Table 3 represents the overall measurement items of the variables

Table 3: Overall Measurement items and Sources

Variables	Item code	No. of item	Source
<u>Dependent Variable</u>			
Internal Audit Effectiveness	IAE	6	Bota-Avram and Palfi Cristina, 2009; Cohen and Sayag, 2010
<u>Independent Variable</u>			
- Internal Audit Staff Competence	IASC	4	Ismail and Abidin, 2010; Nguyen and Leclerc, 2011; Puncreobutr, , 2017; Saputra and Hutahaeon, 2016.
- Information Comm. Tech	ICT	6	Chau and Tam, 1997; Xiong et al., 2013; Zorn et al., 2011; Thong and Yap, 1995; Heintze and Bretschneider, 2000
<u>Moderating Variable</u>			
Depoliticization	DPOL	4	Mulgan (2007)

4. Results and Discussion

4.1 Results

The paper adopted both descriptive and inferential statistical techniques to analyze

the collected data. The descriptive statistics were adopted to analyze the variables in order to determine the statistical values regarding their mean, standard deviation,

minimum and maximum values. The descriptive spread of the variables is presented in Table 4.

Table 4: Descriptive Statistics of Study Variables

Variables	Code	Min	Max	Mean	Standard Dev
Internal Audit Effectiveness	IAE	1	7	4.609	1.697
Internal Audit Staff Comp	IASC	1	7	4.758	1.725
Information Communication Tech	ICT	1	7	4.417	1.691
Depoliticization	DPOLs	1	7	3.962	1.889

In Table 4, items belonging to each variable was rated on seven (7) points Likert scale. The mean score of the latent variables (IAE, IASC, ICT, and DPOLs) ranges from 3.962 to 4.758 with standard deviations from 1.691 to 1.889. In specific, items representing IASC has the highest rated mean value in the model, with a mean value of 4.758 and standard deviation of 1.725 within the minimum and maximum value of 1 and 7 respectively. Next, ICT with a mean of 4.417 and standard deviation of 1.691. The dependent variable IA effectiveness, has a mean value of 4.609 and standard deviation of 1.697 with a minimum value of 1 and maximum value of 7. Further, the moderating variable DPOLs has a mean score of 3.962 and standard deviation of 1.889.

The Partial Least Square-Structural Equation Modeling (PLS-SEM) statistical techniques was adopted to test and verify the postulate hypotheses using smart PLS 3.0 statistical software. The use of PLS-SEM is considered the most suitable technique for the analysis for obvious reasons. First, PLS path modeling allows for the simultaneous estimation of the relationship between constructs (structural model) and the relationship between indicators including their corresponding latent constructs (measurement model) (Henseler et al., 2015). Second, PLS is suitable and ideal for measuring predictive model (Bookstein & Fornell, 1982). As such, since the aim of this paper is to predict the effect of organizational contingency on

audit effectiveness, the use of PLS path modeling technique was found logical.

However, prior to the analysis, the raw data was subjected to rigorous screening and tests (linearity and normality) to ensure that, key assumption guiding multivariate analysis and PLS-SEM statistics were not violated (Hair, Hult, et al., 2014). Consequently, the assumptions test showed satisfactory results and thus, the paper's conceptual model was analyzed.

According to literatures on structural modeling, testing PLS-SEM path model involves two processes (1) testing the measurement model and (2) testing the structural model (Henseler et al., 2015). Assessment of the measurement model allows us to understanding whether the data generated fits the model of the study. While assessment of the structural model explains the inter relationship between the constructs with a view to support or refuse to support the hypothetical statements put forth in the paper (Hair et al., 2014).

Testing Measurement Model

Measurement of outer model as it is also called, explains the relationships between indicators and their respective latent variables in order to ascertain the quality of measures (Hair, Hult, et al., 2014). In this paper, the measurement model has been assessed based on determining the reliability and validity of the measurement scales. To ascertain the reliability of the measurement scales, the individual items reliability, internal consistency reliability must be ascertained. While the validity of the measures is determined based on result

of the convergent validity and discriminant validity. Table 5 present results of the individual reliability, internal consistency

reliability and the composite validity. While Table 6 presents the result of the discriminant validity test.

Table 5: Factor Loading and Reliability

Variables	Items	Standardized Loading	Cronbach's Alpha	Composite Reliability	AVE
IA Effectiveness	IAE01	0.851	0.93	0.944	0.738
	IAE02	0.884			
	IAE03	0.875			
	IAE04	0.915			
	IAE05	0.853			
	IAE06	0.772			
IA Staff Competence	IASC01	0.934	0.903	0.933	0.777
	IASC02	0.909			
	IASC03	0.899			
	IASC04	0.774			
Info Comm Tech	ICT01	0.798	0.945	0.956	0.784
	ICT02	0.869			
	ICT03	0.867			
	ICT04	0.943			
	ICT05	0.922			
	ICT06	0.907			
Depoliticization	DPOLS01	0.938	0.951	0.964	0.871
	DPOLS02	0.95			
	DPOLS03	0.916			
	DPOLS04	0.929			

Firstly, to ascertain the individual item reliability, the outer loadings of each construct was examined based on the standardized loading of all the latent variables (Hair, Sarstedt, et al., 2014). The acceptable values for indicator reliability suggested by Byrne (2001) and Hair et al. (2014), should range between 0.5 to 0.7. Therefore, from Table 4, result of the standardized loading of the 20 items exceeds 0.7, thus fulfilling the condition for the acceptable threshold. Secondly, the internal consistency reliability is usually ascertained based on the values of the Cronbach's Alpha and the composite reliability results, with a threshold

suggested by Bagozzi (1988) and Hair et al (2014) of 0.70 or higher. Thus, in this paper, the internal consistency reliability shown by the results of the Cronbach's Alpha and the composite reliability of the latent variables ranges from 0.930 to 0.956. This reveals that, the internal consistency reliability of the measures is adequate. Thirdly, the convergent validity depicts the degree to which individual indicator reflects a convergence concerning a construct and in comparison to other indicators measuring other constructs (Urbach & Ahlemann, 2010). The convergent validity was ascertained using the average variance extracted (AVE); and according to Fornell

and Larcker (1981) it should be at least 50% (0.5). Based on the above recommendation, the AVEs of the latent variables for this paper all exceeds the minimum acceptable value of 0.5. Fourthly, the discriminant validity is examined to ascertaining the extent the individual latent constructs are truly different from one another (Ramayah

et al., 2016). Extant studies have suggested several methods through which the discriminant validity can be ascertained e.g. Fornell and Larcker (1981) criterion, heterotrait-monotriat ratio of correlation (HTMT) and cross loading criterion (Henseler & Chin, 2010).

Table 6: Discriminant Validity

Latent Variables	Code	DPOLES				IAE	IASC	ICT
		DPOLES	IAE	IASC	ICT			
Depoliticization	DPOLES	0.934						
IA Effectiveness	IAE	-0.719	0.859					
IA Staff	IASC							
Competence		-0.763	0.638	0.881				
Info Comm Tech	ICT	0.741	-0.489	-0.683			0.886	

This paper adopts the Fornell and Larcker criterion (1981). Using Fornell and Larcker approach, discriminant validity was examined by comparing the square root of the AVEs with the correlations between constructs. The discriminant validity as shown in Table 6 shows that adequate discriminant values were achieved. This is because the square root of the AVEs were greater than the correlation between the constructs. That is, the diagonal values are significantly greater than the off-diagonal values in the corresponding rows and column.

Testing Structural Model

Following the examination of the measurement model, this section proceeds

to the assessment of structural model. Structural model, also called inner model, shows the relationship among the latent variables (Chin, 1988; Henseler et al., 2016). As exposed by extant literature on PLS path modeling, this paper present results of the structural model through assessing: (1) the significance and relevance of the structural path coefficients (2) the level of R-square (coefficient of determination) (R^2) (3) the effect sizes (f^2) and (4) the predictive relevance of the model (Q^2) (Hair t al., 2014). Table 7 and Figure 2 present the significant path coefficient for the paper including the moderating relationships.

Table 7: Result of the Structural Model

Hypotheses	Relations	T-value	P-value	Finding	R-Square	Q-Square
H1	IASC→ IAE	3.406	0.001*	Supported		
H2	ICT→ IAE	3.219	0.001*	Supported		
H3	DPOLES→ IAE	13.831	0.000*	Supported		
H4	IASC * DOPLs					
	→IAE ICT *	4.359	0.000*	Supported		
	DOPLs → IAE	2.080	0.000*	Supported		
IAE					0.547	0.369

*Dependent variable: Internal Audit Effectiveness (IAE) *Significant at 0.05 (two-tailed).*

The structural model relationship i.e. the path coefficients represent the hypothesized

relationship among the constructs. The standardized value of the path model is

between -1 and +1 (Hair et al., 2014). From Figure 2, the values along the arrows connecting the respective latent variables to the dependent variable (i.e. IAE) represent the t-values. The results show significant

relationships in all the cases based on significance level of 5% (0.05) error probability and critical t-value of 1.65 for a one-tailed test.

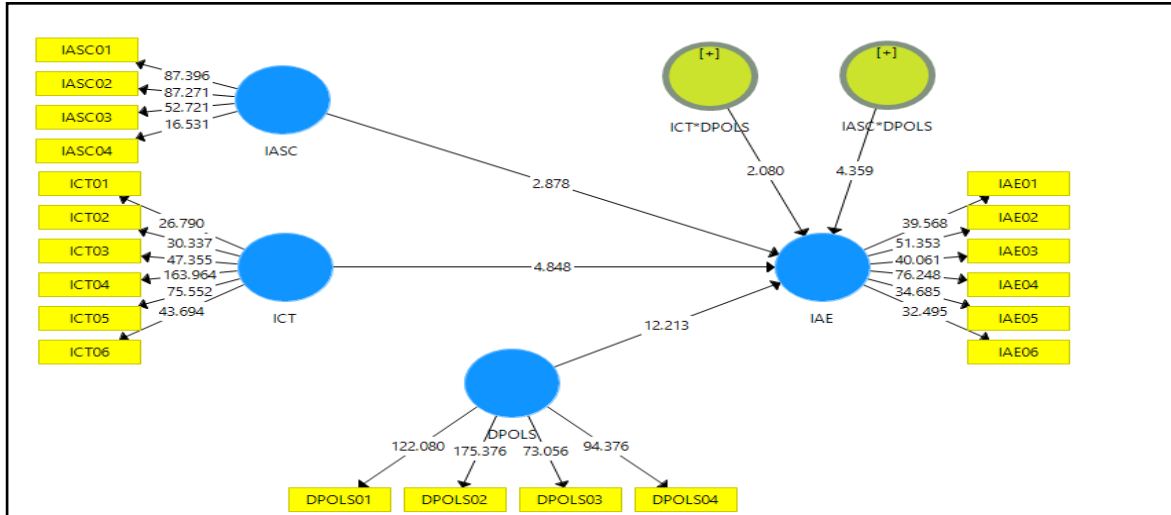


Figure 2: Structural Model

IAE= Internal Audit Effectiveness, IASC = Internal Audit Staff Competence; Info Comm Tech = ICT, Depoliticization = DPOLS

However, based on the conceptual framework of this paper, four (4) hypotheses were postulated and all were statistically significant. In specific, Hypothesis 1 predicts that Internal audit staff competence has a significant positive effect on IA effectiveness. The result in Table 7 reveals that internal audit staff competence had a significant positive relation with IA effectiveness (t-value= 3.406 and *p-value* <0.001). Thus, hypothesis 1 was supported. Similarly, Hypothesis 2 postulates that, Adoption of ICT has a significant positive effect on IA effectiveness. The result as indicated in Table 7 reveals that ICT adoption has a significant positive effect on IA effectiveness (t-value= 3.219 and *p-value* <0.001). Consequently, hypothesis 2 was supported. Next, the direct relationship between Depoliticization and IA

effectiveness was predicted in Hypothesis 3. The result was equally supported, as the test reveals a statistically significant result (t-value= 13.831 and *p-value* <0.000).

Following the analysis of the significance of the path coefficient for the main model, next, the paper examines the structural model by analyzing the predictive accuracy (R-squared) and predictive relevance (Q-square) of the study model. Assessing the R-square level also refers to testing the coefficient of determination. The R-square measures and ascertain the percentage of variance in the endogenous constructs which is explained by all exogenous constructs in a given model. The effect variance is said to range between 0 and 1, with value closer to 1 indicating high level of predictive accuracy and vise-versa. The predictive relevance (Q²) is a criterion which measures how well a model predicts the data of omitted cases (Chin, 1998; Hair et al., 2014). A research model with Q² statistic (s) greater than zero is considered to have predictive relevance.

Therefore, as shown in Table 7, the R-square value for the main effect of the PLS model was 0.547. This suggests that, the exogenous variables for this study collectively explained 54% of the variance in IA effectiveness. While the predictive relevance of the measure (Q^2) for the endogenous latent variables in this paper were above zero (i.e. 0.369). This therefore suggests that, the model for this study possessed a good predictive relevance (Chin, 1998; Hensele et al., 2009).

Testing Moderating Effect

The moderation effect relating to the hypothesized relationships in this paper was tested using Henseler and Chin (2010) product indicator approach. This approach allows the PLS-SEM procedure to detect and estimate the strength of the moderating effect of Depoliticization on the relationship between organizational contingencies (IASC and ICT) and IA effectiveness. Therefore, based on result of Table 7 and Figure 2, the items representing Depoliticization and IASC towards predicting IA effectiveness (t -value = 4.359, P -value > 0.000) and Depoliticization and ICT towards predicting IA effectiveness (t -value = 0.021, P -value > 0.021) were statistically significant. This shows that, the moderating effect of depoliticization on the relationship between internal audit staff competence and ICT were supported because there was significant positive interaction effect between the constructs.

4.2 Discussion of Findings

Consequent upon the statistical results and the analysis presented above, this section discusses the paper's findings in the light of relevant theories and findings of previous research. The first hypothesis (H1) shows that, Internal audit staff competence (IASC) has a significant positive effect on IA effectiveness. This suggests that, competence of internal auditors in terms of knowledge, experience and skills is adequate to engender the operation of

effective auditing responsibilities and functions. Justifiably, the demographic profile of the respondents shows that, significant number of the respondents possessed Bachelor's Degree (76%) and a considerable number has Master's Degree and Professional Qualification in either ICAN or ANAN. This finding is consistent with the study of Kasim (2015) that reported a significant and positive relationship between managers' level of education and the elaboration of accounting operations. Similarly, Chang et al. (2019) reports that, internal auditor competence is positively associated with the effectiveness of internal control over compliance.

In the second hypothesis (H2), significant positive effect was predicted between ICT adoption and IA effectiveness. The path model result, thus revealed a significant relationship. This result is in line with the findings of Teryima and Sunday (2015) and Ewuim et al. (2016) who finds that, adoption of ICT plays positive role in areas of computerization of internal auditing and accounting, payroll operations, word processing, budget planning and administration, job costing, documentation and mapping, decision support of the local government operations, amongst others. Moreover, inference from resource-based theory suggest that, ICT can enhance competitive advantage to the operations of the local governments given its valuable and inimitable features to effectively process accounting data towards effective auditing functions. Plausible explanation to this, is the role of ICT in the local government operations in Nigeria., which relates to the reason the road map committee on International Public Sector Accounting Standards (IPSAS) in Nigeria recommends that, the three tiers of governments should leverage on the adoption of ICT to enhance the effective implementation of the accounting and audit responsibilities in the public sector (Teryima & Sunday, 2015).

In the third hypothesis (H3), the direct relationship between Depoliticization and

IA effectiveness was predicted and the structural model shows a significant positive relationship. This shows that, depoliticizing the administration and operation of auditing functions can significantly promote credible auditing process and independence of the auditors regarding the operations of internal audit functions of the local governments in Nigeria. This result is similar to the study of Thomasson (2018) who revealed that, if any part of the audit process is open to political influence, it threatens not only independence but also the credibility of that process and the legitimacy of the internal audit function.

Finally, Hypothesis four (H4) predicted the moderating effect of depoliticization on the relationship between organizational contingencies (IASC and ICT) and IA effectiveness. The statistical result of the structural model shows that the hypothesis was supported. Conversely, previous studies have revealed how political influence poses significant impediment to the effective operations of accounting and financial activities in the organizational place (e.g. Mustapha, 2018; Johansson & Siverbo, 2009; Carpenter, 1991). For example, Johansson, Tobias and Siverbo (2009) found that, political interest creates ambiguity and makes administrative measurement dubious and hard to implement. Further, the study of Mustapha (2018) revealed that, political influence affects the pattern of elaboration of accounting reports among local governments in Nigeria.

Nonetheless, in practice, the moderating effect of depoliticization on organizational contingencies –IA effectiveness relations seems spurious. Given that, political interests is prevalent among public organizations. But a plausible explanation for the case at hand (significant result of depoliticization) may be due to the visibility and strength of advocacy of the opposition parties and other interest groups, who

usually demand for accountability and transparency in the administration of the and use of the local government finances. This seems logical however, as the political ruling party having seized power recently might have done some house-keeping to institute credible and efficient accounting/auditing procedures within the local government councils to check the incidence of politicization and maneuvers in order to prevent possible legal litigation by the opposition parties and groups.

4.3 Implications and Direction for Future Research

The discussion so far throws up some theoretical, practical implications. The current paper contributes to theoretical knowledge as thus: Firstly, additional empirical evidence to further validate the essence of Resource Based Theory (RBT) to organizational studies was established. The basic idea of RBT which suggests that, organizations must look inward to build and enhance their capabilities and core competencies in the area of accumulation of resources and its uses towards promoting competitive advantages (Shan et al., 2019). Thus, given the rising demand for accountability from managers of corporate entities, managers of public sector must look inward to develop and refocus their organizational capabilities and resources towards improved performance. Based on results of this paper, a significant positive relationship between organizational contingencies (IASC and ICT) and IA effectiveness regarding the local governments in Nigeria have been discovered. Moreover, the result of the exogenous variable (IASC & ICT) on the dependent variable (IA effectiveness) i.e. the R-square (see Table 7) shows significant positive relationship, where the exogenous variables accounted for over 54% variance in the IA effectiveness.

Secondly, aside the RBT, the paper also explored the normative institutional isomorphic theory to explain how



organizations changes and structure can be influenced by professional standards. Thus, the paper tests the moderating effect of depoliticization on the link between organizational contingencies and internal audit effectiveness. The result revealed that, depoliticization significantly moderate the relationship between organizational contingencies and IA effectiveness. Depoliticization is an institutional variable that may accentuate the institution and application of professional standards in the public work domain to allow for credible and independent processing of internal audit functions.

The study equally has significant importance for practice, given the huge cost of effective internal audit function, particularly in the local government financial reporting. Thus, the findings from this paper may enable local government regulators (e.g. Ministry for local government) in Nigeria to improve effective internal audit quality by showing their commitment to manifest of quality audit functioning such that would facilitate the accomplishment of internal audit objectives, allowing for effective communication between internal audit units (Auditor General for States), ensuring that audit recommendations usable in the internal control mechanisms of the local government operations and policies, improved budgetary allocations to the internal audit departments/units to allow for their independence, effectiveness and integrity of operation. forestalling standards for effective performance of auditing job, administering training exercise based on identified competency gaps in skills and knowledge, ensuring that type and extent of training needs relates to acquisition of professional skills useful to withstand current accounting developments and changing needs of our time. Further, local government regulators and management should increase support for: policy that will entrench budgetary appropriation through

infrastructural development in information technologies among the local governments. Finally, the findings from this paper proved that, the relationship between organizational contingencies and IA effectiveness is significantly higher for local governments that depoliticized their operations by limiting political interest and activities of the public officers than those with political interferences. Based on this, mangers and regulators should promote the policy of competence and professionalism in the recruitment exercise of employees of the local government and in handling the administration and operations of the audit functions with utmost professionalism.

Nonetheless, this study may need to be replicated in different settings and context, using different samples and methods to further validate the revealed findings. In addition, a longitudinal research design approach may be useful in future research, to detect and provide insights into changes over time. This may be more revealing than the present paper that adopted a cross-sectional design with causal inferences that may not be generalizable to the population. Moreover, the paper's conceptual model has explained about 54% (see R-square on Table 7) of the total variance of organizational contingencies that influences IA effectiveness. This depicts that more research is needed to uncover more potential organizational contingencies that may also drive IA effectiveness

5. Conclusion and Recommendation

The objective of this paper was to conduct a research to empirically identify and explain some critical organizational drivers that can influence internal audit functions to adding value to local government operations and to provide evidence to test the role of depoliticization in the relationship. Notwithstanding its limitations that suggested need for further studies, the present paper was able to reveal that internal audit staff competency and adoption of information communication technology



significantly and positively influences IA effectiveness, while the moderating effect of depoliticization between the relationships was equally significant. On the whole, the paper finds that, there are critical organizational contingencies that influences effective internal audit function and consequently adding value to organizational performance. Furthermore, this study provides some useful understanding into the perceptions of Finance Directors of local governments in Nigeria.

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