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# INTERNAL AUDIT FUNCTIONS AND PROFITABILITY OF DEPOSIT MONEY BANKS IN BENIN-CITY EDO STATE

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**Abstract:** This research is aimed to examine the effect of internal audit functions on the profitability deposit money banks in Edo State. Specifically, it examined the impact of internal auditors' roles in risk management, compliance with internal controls and asset safeguarding on the profitability of these banks. A survey research design was employed, collecting data from staff members of deposit money banks in Benin City. Responses were obtained from 334 participants, and regression method were used to do the data analysis and ANOVA to test the hypotheses. The findings indicated that the role of internal auditors in risk management had a positive and high impact on the profitability of d banks that accept deposits in Nigeria. Additionally, the enforcement of internal control compliance and the application of auditing standards by internal auditors were found to significantly influence bank profitability in Edo State. From the results result generated, it is recommended that banks should employ internal auditors who report directly to the managing director and effectively carry out their assigned roles. This approach would help mitigate various losses and enhance the banks' profitability.

**Keywords:** Internal Audit, Risk management, Asset Safeguard, Profitability, Deposit Money Banks

## INTRODUCTION

The duties of the internal auditor have become extensively vital due to the evolving business environment and the complexities of modern challenges. These shifts necessitate a heightened awareness of the role of internal auditor's in demonstrating the value of the internal audit function. In Nigeria, banks open to commercial transactions, also known as deposit money banks, bear the responsibility of safeguarding customer deposits and protecting shareholder interests. However, this duty has been undermined in recent years by numerous fraud cases reported within the banking sector. The financial crises and collapse of institutions like Afribank Nigeria Plc in 2009 and Intercontinental Bank (Ajani, 2012; Saidu & Aifuwa, 2020) have cast doubt on the integrity of financial institutions in fulfilling these responsibilities.

To address these challenges, bank management aims to enhance shareholder wealth while demonstrating competence in executing their duties (Egolum & Uchegbu, 2021). Achieving sustainable performance requires robust and well-maintained internal control systems. These systems consist of policies and procedures designed to safeguard organizational assets, ensure credible financial reports, promote compliance with laws and regulations, and facilitate efficient operations. Internal auditors play a pivotal role in establishing and maintaining effective internal control systems in banks. Their responsibilities include providing assurance that is objective and conducting activities that add value and improve organizational operations. Internal auditing is essential for the smooth and efficient functioning of an organization (Alashe & Bello, 2021).

Despite these efforts, fraudulent practices remain rampant in the Nigerian banking sector, significantly tarnishing the reputation and undermining the potential of many banking institutions, particularly deposit money banks. According to a report by the Nigeria Deposit Insurance Corporation (NDIC), the value of documented fraudulent activities rose by ₦3.33 billion, rising from ₦8.68 billion in 2016 to ₦12.01 billion in 2017. The report revealed that internet and card-related fraud accounted for 92% of all reported cases and 63.66% of industry losses in 2017. Other reported fraudulent activities included unauthorized transfers, cash suppression, unauthorized credits, and fraudulent cheque conversions.

The quality of internal auditors significantly influences an organization's financial performance. High-quality internal auditors positively impact financial outcomes (Heil, 2012). Their primary tasks include tackling corruption, analyzing financial activities, safeguarding assets, determining adherence to policy and compliance with, and enhancing financial and administrative performance (Staciokas & Rupsys, 2005). Internal audit practices add value when they effectively improve board rules, management of risk, and internal controls systems. The work of auditors within is considered only when identified malpractices are fully resolved and remain corrected (Sawyer, 1995).

Additionally, there is a notable literature gap as it relates to the link between internal auditors and how banks in Benin City, Edo State, Nigeria makes their profits. Existing studies, such as those by Changwony & Rotich (2015), Awdat (2015), Kerazan (2016), and Nansamba (2019), have not specifically examined the effect of internal auditors on the how banks make profit in this region. The main objective of this research was to ascertain impact of internal auditors on profitability in deposit money banks in Benin City. Specifically, it is to;

I. determine the impact of Internal Auditor’s risk management role on profitability of deposit money banks in Edo State;
II. examine the impact of Internal Auditor’s control compliance role and profitability of deposit money banks in Edo State;
III. examine the effect of Internal Auditor’s asset safeguarding roles on profitability of deposit money banks in Edo State;

Flowing from the research questions and specific objectives above, the hypotheses of the study was stated in null of form as follows:

I. Risk management roles of internal auditors do not have significant impact on profitability in deposit money banks;
II. There is no significant relationship between control compliance roles of internal auditors and profitability of deposit money banks;
III. asset safeguarding roles of internal auditors do not have high impact on profitability of deposit money banks;

## LITERATURE REVIEW

### 2.1 Conceptual Review

#### Internal Audit Reports

Internal auditing is an independent and objective activity aimed at providing assurance and consulting services to enhance an organization's operations (IIA, 2022). It involves collecting, analyzing, and evaluating data (audit evidence) to determine compliance with applicable standards. The process relies heavily on the quantity and quality of evidence gathered to support opinions or recommendations (Rensburg & Coetzee, 2016; Alqudah et al., 2023). Through a dynamic and organized approach, internal auditing evaluates and improves how risk is managed, controlled, and governed in a system to help organizations achieve their objectives. Effective auditing is integral to corporate governance, supporting management and the board in adding value and meeting organizational goals (El-Sayed Ebaid, 2011).

The role of internal auditing gained prominence following some companies that has scandals in the US and UK and the financial crises in Asia during the late 1990s. More recently, corporate failures in Africa, such as Algeria's Carrefour, Egyptian Sainsbury, Uchumi Supermarkets in Tanzania & Uganda, Crane Bank, GTB and NBC in Uganda, have highlighted concerns about internal audit effectiveness (Mindra, 2017; Kapner, 2001; Muhereza, 2012; Auditor General's Report, 2014). Mindra (2017) criticized auditors for failing to detect issues, while Roussy and Brivot (2016) described them as "watchdogs" tasked with identifying weaknesses in internal controls.

Internal auditors typically issue reports summarizing their findings, recommendations, and management's action plans. These reports often include an executive summary, detailed findings with recommendations, and appendices containing additional data or charts. Recommendations aim to enhance governance, risk management, and control processes to meet operational, financial, and compliance objectives (Makuza, 2014).

#### Internal Audit Quality

Audit effectiveness is closely tied to the standard exhibited in internal audits. According to Institute of Internal Audit (IIA), they must plan and implement their plan to deliver meaningful results and make recommendations for increasing the standard. The ability of the Audit unit to effectively plan, implement, and make known their audit results is often used as a measure of quality of audit. Key factors influencing this quality include experience of staff, the appropriateness of the audit coverage, and the effectiveness of audit plan, implementation, and reporting. Additionally, Auditing Standard No. 65 (AICPA, 1991) identifies key quality indicators such as auditor competence (measured by educational and professional credentials), objectivity (assessed by who reviews the audit and who appoints the auditor), and the precision and comprehensiveness of audit assignments. The IIA (2003) further emphasizes independence, objectivity, and proficiency as critical factors.

#### Internal Auditors Roles

Internal audit serves as a vital developmental tool within organizations by operating as an independent function designed to assess their internal control systems. Despite its significance, many organizations fail to recognize how an effective internal audit can enhance resource management, efficiency, and performance (DeMarco, 1980). In contrast, banking institutions have established internal audit departments as independent appraisal units to evaluate their control systems. The primary goal of these departments is to support institutional members in fulfilling their responsibilities by providing recommendations, advice, and insights based on the reviewed activities. To ensure effectiveness, audit processes must adhere to professional standards. Auditors carry out routine tasks such as verifying assets and liabilities, inventory, cash receipts, cash payments, and conducting surprise checks on items like petty cash, bills, and vouchers (Douglas, 2003).

**Risk Management Roles**

The concepts of managing risk are central to the success and performance of banking operations. In any business, managing risk is crucial, as it is often noted that avoiding risks entirely can itself be a risk (Aifuwa, Enehizena & Osazebvaru, 2020). Egolum et al. (2021) define management of risk as a procedure aimed at protecting and safeguarding the net worth and income of persons and corporations, serving as an managerial function that employs practical strategies to address risks.

In banking, Kerazan (2016) emphasizes the importance of establishing a risk database, fully implementing banking governance principles, and ensuring the complete independence of the internal audit department. Internal auditors perform a critical duty in ascertaining organizational risks and devising effective strategies to manage them. Major risks faced by banks include risks affecting credit, market, operations, risks from electronic banking activities, strategic risk, compliance risk, legal risk, and regulatory risk (Basel Committee, n.d.).

Risk management typically involves four main phases: identifying risks, assessing them, prioritizing them, and planning responses, followed by a final stage of evaluation (IRM, 2002; ISO 31000, 2009; BS 31100, 2008; COSO ERM, 2004; Moller, 2011). According to Standards risk management (IRM, 2002; BS 31100, 2008; COSO ERM, 2004), internal audit should support the evaluation phase. Almost all standard-setting bodies emphasize the need for separate and quality assurance in evaluating risk management operations, emphasizing that internal audit goal must align with these principles (Hopkin, 2012; Moller, 2011; BSI, 2008; COSO ERM, 2004; IRM, 2002).

**Internal Control Compliance Role**

Oshisanmi (2007) described the internal control system as the administrative function of outlining and allocation of duties while establishing reporting lines to oversee all aspects of operations, ensuring the organization achieves its corporate objectives. Okwoli (2004) outlined key objectives of an internal control system, including document approval and control, reporting, reconciliation reviews and approvals, restricting access to properties and documents, comparison of external and internal information, and maintaining control accounts and trial balances. Shehu (2004) and Jenfa (2002) referenced the Operational Auditing Guideline on internal control, which categorizes internal control systems into various components such as organizational structure, separation of duties, physical controls, authorization and approval processes, financial recording procedures, personnel management, and supervision. An effective internal control system incorporates these elements, enabling auditors to rely on them.

Internal control compliance is a key responsibility of internal auditors, who are tasked with performing control audits. These audits aim to confirm that effective software and system are in place, ensuring the effectiveness of internal controls (Didier, 2016). Control audits may incorporate organs to prevent or detect fraudulent transactions, making such activities challenging or impossible. While these audits try to provide proof that controls function in the way it was intended do not necessarily identify fraudulent activities.

**Assets Safeguarding Roles through financial reporting**

To analyze the key financial performance of banks and achieve defined objectives, it was essential to establish a financial infrastructure guided by 5 "golden principles" outlined by the IMF and the World Bank: open, a robust financial mechanism, private sector involvement, carefully planned capital flow liberalization, and modernization of international markets. Financial reports prepared in alignment with these principles serve as a vital tool for managers to communicate effectively with users of financial information.

In today's dynamic business environment, there is an increasing number of stakeholders interested in the data presented in financial statements. These stakeholders are being categorized into external and internal users. Internal users include managers and people who makes decision within the organization. External users, the primary audience for financial statements, are divided into two groups: those that has financial stakes, such as current and potential owners and lenders, and those may not have financial stakes, including tax authorities, regulatory bodies, clients, and economic managers. To provide a reliable foundation for decision-making, financial statements must adhere to specific qualitative standards (Bierstaker & Pacini, 2006).

### 2.1.5. Profitability

Egolum, Ugonabo, and Okonenwa (2021) assert that a firm is considered successful when it effectively accomplishes its goals and strategically executes tasks to achieve them. Performance is defined as the capability to operate efficiently, remain profitable, sustain improvement, and respond to opportunities and challenges. Therefore, growth can be measured by how effective an organization utilizes resources to meet its objectives. It serves as a measure of achievement individually, as a team, as an institution, or a process. Consequently, a company's growth strategy can be evaluated through various means, depending on its goals and objectives. For some companies, achieving all set objectives by the end of a financial period may indicate excellent performance, while for others, maximizing profit may serve as the sole indicator of success.

### 2.1.6 Deposit Money Banks

The primary objective of deposit money banks in Nigeria is to generate profit and enhance the value of shareholders' investments. Profitability can be defined as the difference between sales revenue and the costs of raw materials, labor, and capital incurred over an accounting period (Pettinger & Richard, 2006). Kimetto (2019) emphasized that in a free market system, achieving profitability is vital, as it is the core goal of a profit-driven enterprise, which can only be achieved by addressing consumer needs. Profit is typically measured in quantitative terms, whereas non-profit organizations focus on resource utilization and cost efficiency rather than profitability (Kimetto, 2019).

Deposit money banks offer services like accepting deposits, providing business loans, and delivering basic investment products (Beyanga, 2011). They generate profit through loan services and associated fees. According to Pandey (1995), without profitability, a business cannot thrive in the long term. As such, the profitability of commercial banks is critical to their survival within the financial sector. A business's survival is considered a secondary goal, with profit maximization being the primary objective for any profit-driven enterprise. The profits generated by banks serve as an important source of equity, particularly when reinvested into the business (Diedier, 2016), thereby enhancing its financial stability.

## 2.2.Theoretical Review

To offer a comprehensive theoretical framework for understanding the role of internal auditors in improving profitability in commercial banks, this study is based on Agency theory. Proposed by Jensen and Meckling (1976), the agency theory outlines the relationship between the principal (the owners of organizations) and the agents (the managers or administrators of these organizations). Internal auditors are responsible for verifying the accuracy of financial and statistical records presented to management, evaluating the effectiveness of current internal controls and systems, and recommending improvements. The functions of internal auditors, such as safeguarding assets, ensuring compliance with internal controls, and managing risks, directly influence the financial performance of organizations. The work of internal auditors is focused on serving the interests of the principal or the bank's owners (Egolum et al., 2021). Furthermore, their role helps in the early detection and prevention of fraud, ensuring strict adherence to the organization's standard accounting practices.

### 2.3.Empirical Review

Natalia, Salwa, and Nurliyana (2023) provided empirical evidence on the factors that influence the quality of financial reports, focusing on variables such as internal audits, internal control system implementation, and corporate governance practices. They developed a conceptual model to analyze the quality of financial reports based on the role of these variables, drawing on established theories. The aim was to make a scientific contribution to the field of public sector auditing and address challenges related to improving financial report quality through internal audits, internal controls, and corporate governance. Additionally, the findings of this study can assist regulators in enhancing financial report quality, ultimately helping to prevent fraudulent financial reporting.

In Nigeria, Alashe and Bello (2021) examined the impact of internal audits on the financial performance of money deposit banks. The study employed a survey research design, administering 360 questionnaires to bank staff using a judgmental sampling method. The research utilized Ordinary Least Squares (OLS) regression to test the hypotheses and found a significant relationship between internal audits and the profitability of money deposit banks in Nigeria. Furthermore, they discovered that internal audit reporting channels positively influence the financial performance of these banks. The study concluded that internal audits have a positive impact on the financial performance of money deposit banks in Nigeria.

In Yemen, Hazaea, Tabash, Zhu, Saleh, and Farhan (2021) explored the impact of internal audits on the financial performance of commercial banks. The study used a survey research design and distributed 90 questionnaires across nine commercial banks in Yemen (23 branches), all under the supervision of the Central Bank of Yemen. Descriptive, correlation, and regression analyses were employed to summarize the data and test the study's hypotheses. The findings revealed that internal auditing (IA) significantly affects the overall performance of Yemeni commercial banks. Additionally, the results showed that the efficiency of auditors, along with their financial and accounting knowledge, positively and significantly impacts financial performance. However, the independence and objectivity of internal auditors were found to have no significant effect on financial performance. On the other hand, the size of the internal audit function and the frequency of auditors' meetings were shown to negatively and significantly affect financial performance.

Kimetto (2019) examined the effect of internal auditing on the profitability of banking institutions in Kenya using a descriptive survey research design. Data were gathered through questionnaires and interviews. The study sampled 30 employees from various commercial banks in Kericho town, selected using a stratified random sampling method. The findings indicated that internal auditors primarily contribute to profitability by detecting fraud and advising management on internal control systems. However, the study identified challenges to the effectiveness of internal auditing, such as lack of independence and inadequately qualified audit staff. Furthermore, the profitability of commercial banks was influenced by factors such as high tax liabilities, low employee productivity, and rising production costs.

In Uganda, Nansamba (2019) investigated the effect of internal auditing on the financial performance of commercial banks using a survey research design. The data analysis involved quantitative methods and regression analysis, employing descriptive statistics like mean, standard deviation, and frequency distribution. Tables were used to present the data for better clarity. The study concluded that internal audit standards, independence, professional competence, and internal control positively impact the financial performance of commercial banks. Specifically, increases in these factors were linked to corresponding improvements in financial performance.

In Syria, Kerazan (2016) studied the role of internal auditing in risk management within both public and private banks. The study used a survey research design, distributing 117 questionnaires. Descriptive statistics were used to summarize the data, while a T-test was applied to assess the hypotheses. The findings showed that internal auditing plays a significant role in risk management across all Syrian banks, with no significant differences between public and private banks. The study recommended training programs for internal audit staff and the implementation of regulations to better organize internal audit functions in banks.

In Kenya, Changwony and Rotich (2015) examined how internal auditing contributes to improving corporate governance within commercial banks. Using a descriptive research approach, the study selected 89 participants through stratified random sampling. Data was gathered using structured questionnaires and analyzed using pie charts, graphs, and percentages. The findings indicated that factors such as the placement of the internal audit function, risk identification, assessment and prioritization, audit independence, and adequate staffing have a significant positive impact on corporate governance in commercial banks.

**Summary of empirical literature and gap identified**

From the above review carried out, they dwelt mainly on the link between quality of accounting report and internal audit, board governance, risk management and financial performance. Other researchers in other countries dwelt on the internal audit as it relates to Bank profitability but no study has examined that of Banks in Nigeria more so Edo State which this study focused in.

## 3. METHODOLOGY

This study utilized a survey research design. This type of design is defined as "the collection of information from a sample of individuals through their responses to questions" (Check & Schutt, 2012, p. 160). The population comprised of staff of listed deposit money bank operating in Benin City, Edo State. Nigeria. The total number of banks in Benin city, Edo State as at November 1st 2023 is eleven (11) listed deposit money banks (CBN Finance and Admin Department, 2023). However, the target population of the study covered 3,453 core staff these banks (CBN Benin Office, 2023). The study utilized Taro Yamane's (1967) formula to calculate the sample size, as the population size and proportion were known. Once the sample size was determined, it was allocated to various ministries and departments using a stratified sampling technique. The formula is as follows:

n=N/1+N(e)2

Where:

- n represents the required sample size from the population under study,
- N is the total population under study,
- e denotes the margin of error or precision, typically set at 0.05 for management sciences.

Therefore;

$$n = \frac{3,543}{1+3,543\,(0.05)^2}$$

$$n = \frac{3,543}{9.985}$$

$n = 345.81$ = 346

n= 346 (Rounded)

A sample of 346 was arrived at after the computation. Therefore, the study comprised of three hundred and forty-six (346) staff from selected banks in Benin City, Edo State, Nigeria.

The questionnaire, comprising two sections, gathered responses from study participants. Section one captured respondents' bio-data, while section two focused on study variables. A structured questionnaire was chosen for its anonymity and standardized questions. Responses were recorded on a five-point Likert scale, ranging from 'Strongly agree' to 'Strongly disagree', facilitating quantitative analysis.

This study employed content validity, which was ensured by soliciting feedback from accounting lecturers at Wellspring University, Benin City. The study also adopted the internal consistency approach, using Cronbach's Alpha to measure the consistency of responses. A Cronbach's Alpha value of 0.7 was gotten after the test, confirming that the questionnaire items effectively captured the variables under study.

**Method of Data Analysis**

This study utilized a combination of descriptive and inferential statistical methods. Descriptive statistics, presented in tables, included frequency and percentage distributions. To examine relationships between variables, the study employed a deductive approach using inferential statistics. Specifically, linear regression analysis was conducted to test hypotheses and draw inferences. Data analysis was facilitated by Statistical Package for Social Sciences (SPSS) software, version 21.

**Model of the Study**

The study adapted the model of Alashe and Bello (2021) in investigating the effect of internal audit on profitability of banks. This study added internal auditing standard as an independent variable of the study. Therefore, the model of the study will be specified as;

Profitability = f (Internal auditors roles) ------------------------------------------------------(4)

Profitability = (Risk Management roles, Internal Control Compliance roles; and assets safeguarding roles; internal audit standards) --------------------------------------------------(5)

$Prof_i = B_{0i} + B_1RM_i + B_2ICC_i + B_3AST_i + E_i$------------------------------------(6)

Where:

PFT = Profitability of commercial banks;

$B_0$ – Constant;

RKM = Risk management;

ICC = Internal control compliance

AST = Asset safeguarding

E = Error term

$B_1 – B_4$ = Coefficient of variables

## 4.DATA PRESENTATION, ANALYSIS AND RESULTS

### 4.1 Data Presentation

The summary of the responses for the analysis were presented in the Appendix.

Table 4.1: Questionnaires distribution and returned

| States | No of Questionnaires distributed | No of Questionnaires returned | No of Questionnaires unreturned | Percentage of Questionnaires returned |
|---|---|---|---|---|
| **Total** | **346** | **334** | **52** | |

**Source:** Computed and Compiled by the Researcher, 2024

**Table 4.2 Summary of Responses for Dependent Variable**

| S\N | Statements | SA | A | D | SD |
|---|---|---|---|---|---|
| | **Profitability in commercial banks** | | | | |
| 1 | there is a link between internal audit quality and profitability | 120<br>36 % | 146<br>44% | 60<br>18% | 8<br>2% |
| 2 | Disclose of problems in internal control by firms leads to a significant increase in cost of capital reflected in the market. | 110<br>33% | 135<br>40% | 75<br>22% | 14<br>4% |
| 3 | banks are facing increased cost of acquiring raw materials | 119<br>36% | 125<br>37% | 75<br>22% | 15<br>4% |
| 4 | Auditing Standards practices in related services affects bank performance. | 122<br>37% | 142<br>43% | 65<br>19% | 5<br>1% |
| 5 | The independence of the internal auditors affects the profitability of the bank | 115<br>34% | 125<br>37% | 89<br>27% | 5<br>1% |
| 6 | Professional competence of the internal auditors affects the profitability of the bank | 100<br>30% | 145<br>43% | 74<br>22% | 15<br>4% |

**Source: Field Survey, 2024**

From the above analysis, majority of the respondents agreed that internal audit functions can impact on profitability of deposit money banks.

**Table 4.3: Summary of Responses for Independent Variable1**

| | Statements | SA | A | D | SD |
|---|---|---|---|---|---|
| | **Risk Management Roles** | | | | |
| 7 | The appointment of skilled and competent internal auditors lies with the management of a company. | 108<br>32% | 152<br>46% | 69<br>21% | 14<br>4% |
| 8 | Qualification and experience play a key role in the appointment of auditors in deposit money banks. | 111<br>34% | 151<br>45% | 61<br>18% | 11<br>3% |
| 9 | effective internal audit reduces on fraud and embezzlement in banks | 201<br>60% | 78<br>23% | 24<br>7% | 31<br>9% |
| 10 | Internal audit plays a key role in risk management through proper evaluation. | 119<br>36% | 145<br>43% | 62<br>19% | 8<br>2% |

**Source: Field Survey, 2024**

The above analysis from respondents it is evident that majority agreed that internal auditor's risk management role can have high effect on deposit money bank profitability.

**Table 4.4: Summary of Responses for Independent Variable 2**

| | | | | | |
|---|---|---|---|---|---|
| | **Internal Control Compliance Roles** | | | | |
| 11 | One of the critical role of internal auditor of deposit money banks evaluation of internal control system of the bank. | 91<br>27% | 161<br>48% | 61<br>18% | 21<br>6% |
| 12 | In deposit money banks internal auditors perform their duties without interference | 100<br>30% | 138<br>41% | 91<br>27% | 5<br>1% |
| 13 | Internal auditors of deposit money banks follows up on their reports and recommendations. | 109<br>33% | 146<br>44% | 69<br>21 | 10<br>3% |
| 14 | Few intentional errors are detected during routine audit by internal auditors and they are predictable. | 121<br>36% | 142<br>43% | 60<br>18% | 11<br>3% |
| 15 | Professionalism is highly emphasized in the bank | 118 | 146 | 63 | 7 |

| | | | | | |
|---|---|---|---|---|---|
| | | 35% | 44% | 19% | 2% |

**Source: Field Survey, 2024**

The summary of the reponses above showed that majority agreed that auditor's compliance role has significant effect on the profitability of deposit money banks.

**Table 4.5: Summary of Responses for Independent Variable 3**

| | **Asset Safeguarding Roles** | | | | |
|---|---|---|---|---|---|
| 16 | Independence of an internal auditor is guaranteed by shielding him from the personnel and activities of the banks. | 119<br>36% | 145<br>43% | 62<br>19% | 8<br>2% |
| 17 | The internal audit department in a deposit money bank must be guaranteed of independence for it to function properly. | 109<br>33% | 146<br>44% | 69<br>21 | 10<br>3% |
| 18 | Internal auditors should not have anything that will conflict with his own interest in course of working for the bank. | 91<br>27% | 161<br>48% | 61<br>18% | 21<br>6% |
| 19 | The internal auditor report issue of fraud and error to management frquently | 110<br>33% | 135<br>40% | 75<br>22% | 14<br>4% |
| 20 | There is reduce fraud occurrence in the bank | 115<br>34% | 125<br>37% | 89<br>27% | 5<br>1% |

**Source: Field Survey, 2024**

The above responses as regards the effect of asset safeguarding role of internal auditors showed that majority of the respondents agreed or strongly agreed that the positively affect profitability.

**Data Analysis**

The table below is the descriptive statistics that was computed to show the mean, median, standard deviation, minimum, and maximum values, statistics, etc.

**Table 4.6 Descriptive Statistics**

| | N | Minimum | Maximum | Mean | Std. Deviation | Skewness | | Kurtosis | |
|---|---|---|---|---|---|---|---|---|---|
| | Statistic | Statistic | Statistic | Statistic | Statistic | Statistic | Std. Error | Statistic | Std. Error |
| PFT | 4 | 62.00 | 818.00 | 501.0000 | 332.36727 | -.847 | 1.014 | -.272 | 2.619 |
| RKM | 4 | 33.00 | 448.00 | 252.7500 | 180.15803 | -.316 | 1.014 | -1.312 | 2.619 |
| ICC | 4 | 54.00 | 733.00 | 417.5000 | 289.73379 | -.417 | 1.014 | -.438 | 2.619 |
| AST | 4 | 40.00 | 752.00 | 414.0000 | 304.70204 | -.292 | 1.014 | -.760 | 2.619 |
| Valid N (listwise) | 4 | | | | | | | | |

**Interpretation**

The descriptive statistics for the independent variables, including profitability (PFT), are presented in Table 4.2.1. The mean serves as a baseline measure, while the maximum and minimum values help identify potential data issues. The standard deviation indicates the variation from the mean and acts as a risk measure; a higher standard deviation implies greater risk. This metric, widely regarded as the most reliable and commonly used, reflects how much each data point deviates from the mean. For the firms analyzed, the standard deviations for PFT, RKM, ICC, and AST 332.37, 180.16, 289.73, and 304.70, respectively.

**Regression Result**

The research model was estimated using multiple regression analysis, and the resulting finding were then used to test the study's hypotheses

Table 4.7 Regression Model Summary

| **Model Summary[b]** | | | | |
|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .991[a] | .981 | .972 | 55.42474 |
| a. Predictors: (Constant), Risk management, Internal Control Compliance, Asset Safeguarding, | | | | |
| b. Dependent Variable: Profitability of Deposit Money banks | | | | |

Source: Regression Output, 2024

The table above provides the model summary of the study. The adjusted R-squared value is 0.972, indicating that approximately 97.2% of the systematic variation is explained by the study's independent variable. Meanwhile, 2.9% of the variation is attributed to other variables not included in the model but is adequately addressed by the regression's standard error, SE = 55.42474.

Table 4.9: Model Fitness

**ANOVA[a]**

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 325260.197 | 1 | 16245.140 | 105.401 | .009[b] |
| | Residual | 6143;803 | 2 | 3071.901 | | |
| | Total | 331404.000 | 3 | | | |

a. Dependent Variable: Profitability of Deposit Money banks

b. Predictors: (Constant), Risk management, Internal Control Compliance, Asset Safeguarding, .

**Source:** Regression Output, 2024

The ANOVA table showed that the model was statistically fit, F = 105.401, df = 1, p = 0.009 < 0.05.

Table 4.10: Coefficient Summary

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 39.053 | 52.758 | | .740 | .536 |
| | Risk management | 1.828 | .178 | .991 | 10.290 | .009 |
| | Control Compliance | 1.138 | .100 | .992 | 11.404 | .008 |
| | Asset Safeguarding, | 1.079 | .113 | .989 | 9.578 | .011 |

| | |
|---|---|
| a. | b. Dependent Variable: Profitability of Deposit Money banks |

**Source:** Regression Output, 2024

The table of coefficient shows how the independent variables are related. From the table above, it shows that Risk management role, Internal Control Compliance, Asset Safeguarding role, have positive impact on profitability of Deposit Money banks in Benin city, Edo State.

**Test of Hypotheses**

1. Risk management roles of internal auditors do not have significant impact on profitability in deposit money banks;

Table 4.3.3 indicates that the p-value of 0.009 is highly significant at the 5% significance level, as it is less than the alpha value (0.009 < 0.05). The regression results in the same table reveal that the risk management roles of the explanatory variable have a positive and statistically significant impact. This is evidenced by the coefficient value of 0.991 and a t-statistic of 10.290, indicating a significant positive relationship between risk management roles and bank profitability at the 5% significance level.

**Decision:**

Since the p-value of the test statistic is less than or equal to the alpha value, the null hypothesis is rejected, and the alternative hypothesis is accepted. This confirms that the risk management roles of internal auditors significantly impact the profitability of deposit money banks.

**Hypothesis Two**

$Ho_2$: There is no significant relationship between control compliance roles of internal auditors and profitability in deposit money banks;

Table 4.3.3 shows that the p-value of 0.008 is statistically significant at the 5% significance level, as it is less than the alpha value (0.008 < 0.05). The regression results further indicate that the control compliance roles of the explanatory variable have a positive and statistically significant effect. This is supported by a coefficient value of 0.992 and a t-statistic of 11.404, demonstrating a significant positive relationship between control compliance roles and bank profitability at the 5% significance level.

**Decision:**

Since the p-value is less than the alpha value, the null hypothesis is rejected, and the alternative hypothesis is accepted. This confirms that the control compliance roles of internal auditors have a significant impact on the profitability of deposit money banks.

**Hypothesis Three**

$Ho_3$: Asset safeguarding roles of internal auditors do not have significant impact on profitability in deposit money banks.

Table 4.3.3 shows that the p-value of 0.011 is statistically significant at the 5% significance level, as it is less than the alpha value (0.011 < 0.05). The regression results further demonstrate that the asset safeguarding roles of the explanatory variable have a positive and statistically significant effect. This is reflected in a coefficient value of 0.989 and a t-statistic of 9.578, indicating a significant positive relationship between asset safeguarding roles and bank profitability at the 5% significance level.

**Decision:**

Since the p-value is less than the alpha value, the null hypothesis is rejected, and the alternative hypothesis is accepted. This confirms that the asset safeguarding roles of internal auditors significantly impact the profitability of deposit money banks.

**Discussion of Findings**

**Hypothesis One:**

The first hypothesis posits that the risk management roles of internal auditors significantly impact on deposit money banks profit. This aligns with the findings of Aifuwa, Enehizena, and Osazebvaru (2020), who emphasized that management of risk is crucial for the good performance of banking operations. Risk management is essential in any business, as failing to address risks is itself risky. Similarly, Egolum et al. (2021) highlighted that risk management safeguards assets and income while serving as an administrative function that employs practical strategies to mitigate risks. Changwony and Rotich (2015) further demonstrated that factors such as the positioning of internal audit functions, risk identification, measurement and prioritization, audit independence, and staffing significantly contribute to effective corporate governance. In Syria, Kerazan (2016) found that internal audit functions do not contribute significantly in managing risk to both national and private banks.

**Hypothesis Two:**

The second hypothesis asserts that the control compliance roles of internal auditors significantly influence the profitability of deposit money banks. This finding is consistent with Didier (2016), who noted that control audits can incorporate mechanisms to detect or prevent fraudulent transactions, enhancing corporate income by ensuring the effectiveness of control systems. However, such audits primarily assure functionality rather than detecting fraud or corruption. Alashe and Bello (2021) similarly concluded that internal audits positively correlate with the financial performance of Nigerian deposit money banks.

**Hypothesis Three:**

The third hypothesis states that the asset safeguarding roles of internal auditors have a significant effect on the profit of deposit money banks. Bierstaker and Pacini (2006) observed that financial statements must meet qualitative criteria to provide a reliable foundation for decision-making processes, highlighting the importance of safeguarding assets.

## 5. Summary of Findings

From the analysis of the study and hypotheses tested, the following findings were drawn;

1. The outcome showed that risk management roles of internal auditors have significant impact on profitability in deposit money banks.
2. The study found that control compliance roles of internal auditors have significant impact on profitability in deposit money banks.
3. It was also found that asset safeguarding roles of internal auditors have significant impact on profitability in deposit money banks.

## Conclusion

The main objective of the research was to ascertain impact of internal auditors on profitability in deposit money banks in Benin City, using risk management roles of internal auditors, control compliance roles of internal auditors, asset safeguarding roles of internal auditors and internal audit standards compliance as a proxy for internal auditors. A sample of 386 staff of the deposit money banks in Benin City. The research data were generated from the questionnaires distributed to the respondents. Hypothesis testing was done using rregression analysis via SPSS. The study found that risk management roles of internal auditors, control compliance roles of internal auditors, asset safeguarding roles of internal auditors and internal audit standard compliance has significant impact on profitability in deposit money banks.

We therefore conclude that internal auditors play a significant role in determining bank’s profitability.

## Recommendations

From the outcome of the study, we make the following recommendations;

1. The banks internal auditors should continue with their risk management strategy presently being implemented as it has impacted positively to their profitability.
2. Internal auditor should continue with their compliance roles and should step up the role as it goes a long way in improving the profitability of banks.
3. Internal Auditors should continue to uphold auditing standards and should regularly update themselves with new developments in auditing standard issued from time to time and ensure it is implemented in the bank. This will provide a conducive atmosphere for external auditors when they carryout out end of the year audit of banks.
4. Internal Auditor's role in safeguarding the assets of the organization should be strengthened to ensure there is no loss and enhance company's performance.

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