

**RELATIONSHIP BETWEEN QUALITY OF AUDIT AND PERFORMANCE OF  
COOPERATIVE SOCIETIES IN ODO OTIN LOCAL GOVERNMENT AREA OF OSUN  
STATE, NIGERIA**

**Idih Ogwu Emmanuel., Ph.D.**

Department of Banking and Finance, Faculty of Management Sciences,  
Kogi State University, P.M.B 1008, Anyigba, Kogi State, Nigeria.  
[emmite1010@gmail.com](mailto:emmite1010@gmail.com)

**Adewole Joseph Adeyinka,**

**ORCID: <https://orcid.org/0000/0002-0676-5480>**

**Ph.D, Department of Banking and Finance, Faculty of Management Sciences,  
Osun State University, Osogbo, Nigeria.**  
[princeadeyinkaadewolej@gmail.com](mailto:princeadeyinkaadewolej@gmail.com)  
[joseph.adewole@uniosun.edu.ng](mailto:joseph.adewole@uniosun.edu.ng)

**Attah Eleojo Vincent., Ph.D.**

Department of Banking and Finance,  
Veritas University, Abuja.  
[attahe@veritas.edu.ng](mailto:attahe@veritas.edu.ng)

**Adewale Abass Adekunle,**

Department of Banking and Finance, Faculty of Management Sciences,  
Osun State University, Osogbo, Nigeria.  
<https://orcid.org/0000-0002-8289-7127>  
[abassadewale96@gmail.com](mailto:abassadewale96@gmail.com)

**ABSTRACT**

The research investigates the impact of audit quality on the performance and accountability of Odo-Odin Local Government area cooperative society. The study is aiming at examining the effects of quality audit on Odo-Odin Local Government cooperative performance, the study intends to determine the extent at which internal audit affect Odo-Odin Local Government cooperative performance, the study also investigates how the quality of audit impacted on Odo-Odin Local Government area cooperative society. Descriptive survey research design was employed to achieve the objectives of the study. The research used one hundred and thirty (150) copies of questionnaire for the analysis of data collection. The correlation result indicated a substantial and strong association between Odo-Odin Local Government cooperative society performance and audit quality [ $r(150) = 0.674, p0.01$ ] 67.4 (67.4%). The performance of the Odo-Odin Local Government cooperative society and audit quality are positively and significantly correlated. According to the correlation analysis, [ $r(150) = 0.341, p0.01$ ] There is a considerable correlation between the conduct of the audit and the cooperative society for Odo-Odin Local Government (34.1, or 34.1%). Statistics were obtained from the Okuku Odo-Odin Local Government Area. The research's findings were presented using regression analysis. The report suggests that Nigerian corporate auditors work as expected and that professional bodies always keep an eye on governmental acts and raise awareness of practices that can make it difficult for auditors to carry out their duties effectively, particularly when auditing cooperative societies in Nigeria. It was also suggested that corporations increase the frequency of their audit committee meetings.

**Keywords:** Audit Quality, Performance, Cooperative Societies, Internal Audit.

## INTRODUCTION

Cooperatives have advanced in many areas of the Nigerian society and economy where, primarily, agricultural cooperatives have seen significant progress and prosperity due to the agrarian nature of the economy. The significance of cooperatives in financial strengthening and destitution decrease cannot be overemphasized. Businesses have to be purposely founded inside control methods pointed at accomplishing objective stand the hazard of wasteful and can indeed fall out of the scope of commerce. Firm disappointments, particularly within created world have sensitized firms to be proactive.

Implementation of a utilitarian system of inner control would regularly improve dependable money related announcing, operational effectiveness and compliance with directions and laws (Nyakandi 2021). Execution is seen as advantage era, survival, viable and effective operation and capacity to successfully respond to both inner and outside environment (Podhana R.A 2013). Cooperative will as a rule not use assets in setting up a great inside control framework due to measure, need of stores and information. The nonappearance of proficient and compelling inside control framework, among numerous other reasons, might influence the execution of businesses.

Gatawa and Aliero, (2015) concluded that from 1936- 1956, formal cooperatives have spread from the western to the eastern and northern parts of Nigeria, although it was not yet popularly recognized in the Northern part of the country. Marx and Seibel, (2012) revealed that cooperative societies based on indigenous savings and credit associations were more effective in mobilizing personal savings and in terms of all other economic indicators than cooperatives without such basis. These cooperatives are interest based cooperative societies which are not in conformity with the Islamic law. Ajani & Adebayo (2018) concluded that the un-Islamic nature of the conventional cooperatives and the need to improve economic activities in accordance with the Shari'ah law brought about the formation of Islamic cooperative societies (ICS).

Cooperatives can either be operated on conventional basis or on non-interest basis. Rasaki, Kamilu, Rukayat & Balkis (2018) concluded that, Conventional cooperative society is based on a pure financial intermediation model, where the society's profits are the margin between the interest earned by members from their savings on one hand and the interest from the funds

lent to members on the other while non (zero) interest cooperatives are based on principles that prohibits risk taking, interest earning, sinful activities, gambling and speculative. It believes in trading based on real goods and services and a reward sharing contract. Cooperative societies' objective is not to maximize profit rather to maximize the benefit the members can derived from their transactions with the cooperative societies (Birchall, 2013).

Cooperative societies play an important role in an economy which cannot be over emphasized. Olesin in Oladejo (2013) opined that cooperative societies in Nigeria have resolved some financial challenges (like, poverty, low income, high cost of living, inflationary pressures and lack of access to credit) faced by low-income earners for decades by providing credit to needy individuals from the resources pooled together by the collective efforts. It provides opportunities for many low-income group of people both in rural and urban area.

The wide study aimed at investigating the impact of quality audit on execution of local Government area cooperative in Odo-Odin. Particularly, the study looks at the impact of quality audit on execution of Odo-Odin Local Government area cooperative, evaluate the internal audit level on execution of Odo Otin Nearby Government Cooperative, and to decide review quality on the responsibility of Odo-Odin Local Government cooperative of Odo Otin Local Government. The Research Questions states; what are the effects of quality audit on Odo-Odin Local Government cooperative performance? To what extent has internal audit affect Odo-Odin Local Government cooperative performance? To what extent has quality of audit impacted on do-Odin Local Government cooperative society? This study will be of significant to the public and also different sector in the economic in order to have adequate understanding regarding the concept of Audit Quality and its effect on Society Cooperative. The study hypothesized in a null form that there are no significant effects of quality audit on Odo-Odin Local Government area cooperative performance, internal audit does not significantly affect Odo-Odin Local Government cooperative performance Quality of audit does not significantly impacted on Odo-Odin Local Government area cooperative society.

## **LITERATURE REVIEW**

### **Concept of Cooperative Societies**

Cooperative societies have been defined in different ways in literatures and the definitions give same meaning. LawalOladejo (2013) opined that cooperative society is a business

registered under the cooperative law and managed by the same law under which it is registered. Noibi (2012) suggested that, Cooperative Societies are private, non-profit making organization that accept deposit as savings from members and make loan from the savings accepted to the members in need of it. Epetimehin John (2011) concluded that, cooperative is a business owned and controlled by the people who use it.

Cooperatives can either be operated on conventional basis or on non-interest basis. Rasaki, Kamilu, Rukayat & Balkis (2018) concluded that, Conventional cooperative society is based on a pure financial intermediation model, where the society's profits are the margin between the interest earned by members from their savings on one hand and the interest from the funds lent to members on the other while non (zero) interest cooperatives are based on principles that prohibits risk taking, interest earning, sinful activities, gambling and speculative. It believes in trading based on real goods and services and a reward sharing contract. Cooperative societies' objective is not to maximize profit rather to maximize the benefit the members can derived from their transactions with the cooperative societies (Birchall, 2013).

Cooperative societies play an important role in an economy which cannot be over emphasized. Olesin in Oladejo (2013) opined that cooperative societies in Nigeria have resolved some financial challenges (like, poverty, low income, high cost of living, inflationary pressures and lack of access to credit) faced by low income earners for decades by providing credit to needy individuals from the resources pooled together by the collective efforts. It provides opportunities for many low income group of people both in rural and urban area. Lawal (2006) highlighted many benefits of cooperatives among which are the following;

- Cooperatives give members opportunities to buildup capital to finance their business from regular and gradual savings.
- It undertakes business ventures and small scale enterprises financing thereby, contributes substantially to the commercial growth and economy development
- Significantly contributes to the national output by way of massive production of goods and services.
- Enhancing workers empowerments. Being a member of one cooperative society, civil servants and other workers can now own houses, cars and other properties.
- Members are encouraged to engage in economic production and services that promote gross domestic product and national income by providing ready market for their products.
- Employment opportunities are created either directly by the cooperative or through members of the cooperative.

-Apart from assisting members to participate in international trade, cooperatives make it possible for Nigeria, through members representing the cooperatives at international apex, to sit among the community of nations.

-The cooperative democratic principles and practices trained their leaders as good community leader.

-The members' standard of living has increased and the cost of living as well been reduced.

### **Theory of Inspired confidence**

The capacity of an association to successfully and effectively use assets available to its to accomplish its objectives and targets is alluded to as execution (Azul, S.H, Jerjer M 2013). It is beyond the realm of possibilities for a firm to accomplish its objectives and goals except if it successfully and effectively plays out its tasks (Van Cung, H.Luis 2020). In this review, functional proficiency is utilized as the intermediary for estimating execution. By functional effectiveness, we are alluding to a company's capacity to however much as could be expected, diminish squander in materials, time and exertion regardless convey items or administrations that are of exceptionally top notch.

#### **Circuit Hypothesis**

One more hypothesis that relates review quality to corporate execution is the flagging hypothesis which sees review as a component that can moderate data imbalance among related parties. Flagging hypothesis, as indicated by Spence (1973), recommends that organizations with great execution utilize monetary data divulgence to convey positive messages to the market about their true capacities. Organizations with top notch evaluators like the enormous 4 inspectors, convey messages to the market that their fiscal summaries are more dependable than those reviewed by lower quality examiners.

The market in this way relates evaluators, for example, enormous review firms and expert examiners with higher review quality than different examiners and prizes organizations examined by great reviewers with bigger upgrades in share costs (Teoh and Wong, 1993; Krishnan and Yang, 1999). The positive sign of straightforwardness and believability which high review quality ships off the market, gives confirmation to the partners about the nature of profit revealed in budget summaries and recommends a positive relationship between market-based execution and review quality.

### 3. METHODS

Descriptive survey research design was employed to achieve the objective of the study. In the quest for information required for this study, the researcher made use of a major source of information that is Primary data from worker of Odo-Odin Local Government Area (Council) cooperative society, Okuku. Primary Data was used and it made use to gather data directly from the research population through the use of questionnaire. The questionnaire is usually typed questions to which respondents will provide written responses.

The research used one hundred and thirty (150) copies of questionnaire for the analysis of data collection. The sample of 242 (obtained through adoption of Yamane, 1967 formula as stated below) was considered appropriate for this research. As it is not unusual, the researcher could not get to the entire population. Therefore, the need for sample size determination arises. Sample was derived mathematically from Taro-Yeme's formula. 150 copies of questionnaire were distributed in total.

Data were analyzed, presented using simple frequency tables, charts, figures to explicate socio economic respondents status. The hypothesis will be tested for acceptance or rejection using the correlation analysis.

### 4. RESULTS

#### Demographic Information

**Table 4.1 Audit quality increase the performance and accountability of the Odo Otin Local Government area**

	Frequency	Percent
Valid Strongly Agree	63	42.0
Agree	76	50.7
Undecided	11	7.3
Total	150	100.0

Source: Field Survey, 2023

The result of table 4.1 showed that 63(42%) strongly agreed that audit quality increase the performance and accountability of the organisation, 76(50.7%) agreed also, 11(7.3%) of respondents were undecided.

**Table 4.2** Quality of audit and its impact on Odo-Odin Local Government cooperative society?

	Frequency	Percent
Valid Strongly Agree	62	41.3
Agree	76	50.7
Undecided	12	8.0
Total	150	100.0

Source: Field Survey, 2023

The result of table 4.2 shows that 62(41.3%) strongly agreed audit quality improves Odo-Odin Local Government cooperative society activities, 76(50.7%) agreed also, 12(8%) of the respondents are undecided to the statement.

**Table 4.3** internal audit and Odo-Otin Local Government cooperative performance

	Frequency	Percent
Valid Strongly Agree	70	46.7
Agree	60	40.0
Undecided	12	8.0
Disagree	8	5.3
Total	150	100.0

Source: Field Survey, 2023

The result of table 4.3 shows that 70(46.7%) strongly agreed that internal audit improves Odo-Otin Local Government cooperative performance, 60(40%) agreed meanwhile, 12(8%) of the respondents are undecided and 8(5.3%) of respondents did no agree.

**Table 4.4** Pearson r Correlation Showing the Relationship between quality audit and performance of cooperatives societies' performance in Odo Otin Local Government.

	N	M	S D	Df	R	P
<b>audit quality</b>	150	2.2123	.341278	2	674**	.000
<b>cooperatives societies performance</b>	150	2.6231	.160093	2		

\*\*Correlation is significant at the 0.01 level (2-tailed).

Table 4 shows that a Pearson r value of  $[r(150) = 0.674, p < 0.05]$  67.4 (67.4%). This indicates that there is strong relationship between audit quality performances of cooperatives in Odo Otin Local Government; therefore, the null hypothesis of no significant relationship is hereby rejected and the alternate hypothesis is upheld.

**Table 4. 5 Summary Table of Pearson, r Correlation Showing the Relationship between internal audit level and Odo Otin Local Government cooperative performance, Okuku, Osun State.**

	N	M	S D	Df	R	P
<b>Internal Audit Quality</b>	150	1.9099	.331221	2	712**	.000
<b>performance of Odo Otin Local Government Cooperative society.</b>	150	3.6543	.312087	2		

\*\*Significant at 0.01 level (2-tailed).

Table 4.30 tests the relationship between internal audit level and Odo Otin Local Government cooperative performance, Okuku, Osun State. Correlation analysis revealed that  $r(150) = 0.712, p < 0.01, 71.2$  (71.2%). Null hypothesis is hereby rejected and alternate hypothesis is hereby accepted, showing a strong relationship between internal audit level and Odo Otin Local Government cooperative performance. The study came to conclusion that there exist a significant relationship between internal audit level and Odo Otin Local Government cooperative performance.



**Research Hypothesis 3:** *No significant relationship between quality of audit and accountability of Odo Otin Local Government cooperative.*

**Table 4. 31 Summary Table of Pearson, r Correlation Showing the Relationship between quality of audit and accountability of Odo Otin Local Government cooperative.**

	N	M	S D	Df	R	P
<b>audit quality</b>	150	1.9099	.331221	2	.341**	.000
<b>Cooperatives society Accountability</b>	150	3.6543	.312087	2		

\*\*Significant at 0.01 level (2-tailed).

Table 4.31 tests significant relationship between quality of audit and accountability of Odo Otin Local Government cooperative. Correlation showed that  $r(150) = 0.341$ ,  $p < 0.01$ , 34.1 (34.1%). Alternate hypothesis is hereby accepted and Null hypothesis is hereby rejected, showing a strong relationship between quality of audit and Odo Otin Local Government cooperative accountability. This study concluded that there exist a significant relationship between conduct of audit quality and Odo Otin Local Government cooperative accountability.

## CONCLUSION

The result of study showed that audit quality increases the performance and accountability of the organization, audit quality improves Odo-Odin Local Government cooperative society activities, internal audit improves Odo-Otin Local Government cooperative performance. The likelihood of a good audit assignment would unintentionally rise with knowledge of these aspects that could greatly affect independence of audit and strict respect to the laws regulating cooperative organizations. This will improve the detection and reporting of false presentation financial reports while also increasing the users of the financial statements confidence. As a result, quality of audit improves and potential effect on cooperative societies is increased.

## **6. RECOMMENDATIONS**

- Cooperative Societies should make use of quality auditors in order to enhance the performance and accountability of Cooperative Societies in Nigeria.
- Audit quality must be fostered by Cooperative Societies in Nigeria in order to enhance a stable improvement in cooperative society activities.
- All cooperative societies must appoint or employ internal audit in order to improve cooperative performance in Nigeria.

## REFERENCES

- Agrawal, A., & Chadha, S. (2015). Corporate governance and accounting scandals. *Journal of Law & Economics*, 48(2): 371-406.
- Amahalu, N.N., & Ezechukwu, B.O. (2017). Determinants of audit quality: Evidence from deposit money banks listed on Nigeria Stock Exchange, *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 7(2), 117-130.
- Amahalu, N.N., Egolum, P.U., & Obi, J.C. (2019). Effect of auditors' rotation on audit quality of quoted deposit money banks in Nigeria. *Faculty of Management Sciences, 2019 International Conference Proceedings, Nnamdi Azikiwe University, Awka, Anambra State, Nigeria*, 467-479.
- Amahalu, N.N., Egolum, P.U., & Obi, J.C. (2019). Effect of e-accounting systems on financial performance of quoted deposit money banks in Nigeria. *Faculty of Management Sciences, 2019 International Conference Proceedings, Nnamdi Azikiwe University, Awka, Anambra State, Nigeria*, 437-449.
- Amahalu, N.N., Okeke, M.N., & Obi, J.C. (2017). Audit quality determinants: Evidence from quoted health care firms in Nigeria. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 7(4), 216-231.
- Amahalu, N.N., Okoye, P.V., & Obi, J.C. (2019). Forensic accounting and Corporate Fraud: Evidence from Deposit Money Banks in Awka, Anambra State. *Faculty of Management Sciences, 2019 International Conference Proceedings, Nnamdi Azikiwe University, Awka, Anambra State, Nigeria*, 450-466.
- Badolato, P., Denelson, D.C., & Ege, M. (2013). Audit committee financial expertise and earnings management: The role of status, 1-76 <http://ssrn.com/abstract=2335632>.
- Bédard, J., Chtourou, S.M., & Courteau, L. (2014). The effect of audit committee expertise, independence, and activity of aggressive earnings management. *Journal of Practice & Theory*, 23 (2), 13-35.
- Brown, L., & Caylor, M. (2004). Corporate governance and firm performance. Available at SSRN 586423. [8] Carcello, J. V., Hermanson, D. R., Neal, T. L., & Riley, R. A. (2002). Board characteristics and audit fees. *Contemporary Accounting Research*. 19(3), 365-384.
- Chi, W., Huang, H., Liao, Y., & Xie, H. (2009). Mandatory audit partner rotation, audit quality, and market perception: evidence from Taiwan. *Contemporary Accounting Research*. 26(2), 359-391.
- De Angelo, L. (1981). Auditor size and audit quality. *Journal of Accounting and Economics* 3(3), 183-199. [11] Desender, K. A., Aguilera, R., Crespi-Cladera, R., & Garcia-Cestona, M. (2009). Board characteristics and audit fees: why ownership structure matters. *University of Illinois at Urbana-Champaign, College of Business WP*, 09- 0107.
- Elewa, M.M. & El-Haddad, R. (2019). The effect of audit quality on firm performance: a panel data approach. *International Journal of Accounting and Financial Reporting*, 9(1), 229-244.
- Farouk, M. A., & Hassan, S. U. (2014) Impact of audit quality and financial performance of quoted cement firms in Nigeria. *International journal of accounting and taxation*, 2(2), 01-22 Research Institute for Policy Development.
- Ghosh, A., & Moon, D. (2005). Auditor Tenure and Perceptions of Audit Quality. *The Accounting Review*. 80(2), 585-612.

- Hamid, M. A., & Abdullah, A. (2012). Influence of corporate governance on audit and non-audit fees: Malaysian evidence. *Journal of Business and Policy Research*, 7(3), 140-158.
- Berle, A., & Means, G. (1932). *The modern corporation and private property*. Commerce Clearing House, New York.
10. Blue Ribbon Committee. (1999). Report and recommendations of the blue-ribbon committee on improving the effectiveness of corporate audit committees. *The Business Lawyer*, 54 (2), 1067-1095.
- Carcello, J.V., & Neal, T.L. (2013). Audit committee characteristics and auditor dismissals following 'new' going-concern reports, *Accounting Review*, 78 (1), 95-117.
12. Cheng, Y.S., Chen, Y.S., & Chen, Y.C. (2018). Direct and mediating effects of auditor quality on auditor size and performance. *International Business Research*, 6(11), 134-148.
- Jensen, M., & Meckling, W. (1976). Theory of the firm: Managerial behaviour, agency costs and ownership structure. *Journal of Finance and Economics*, 3, 305-360.
- Karamanou, I., & Vafeas, N. (2015). The association between corporate boards, audit committees, and management earnings forecasts: An empirical analysis. *Journal of Accounting Research*, 43(3): 453-86.
- Kothari, S.P., Leone, A.J., & Wasley, C.E. (2015). Performance matched discretionary accrual measures. *Journal of Accounting and Economics*, 39(1), 163-197.
21. Liu, S.H. (2017). An empirical study: auditors' characteristics and audit fee. *Open Journal of Accounting*, 6, 52-70.
- Mangena, M., & Pike, R. (2015). The effect of audit committee shareholding, financial expertise and size on interim financial disclosures. *Accounting & Business Research*, 35(4), 327-49.
- McMullen, D.A., & Raghunandan, K. (2016). Enhancing audit committee effectiveness. *Journal of Accountancy*, August, 79-81.
- Sayyar, H., Basiruddin, R., Abdul-Rasid, S.Z., & Elhabib, M.A. (2018). The effect of audit quality on firm performance: Evidence from Malaysia. *European Accounting Review*, 16(4), 72-88.
- Türel, A., Taş, N., Genç, M., & Özden, B. (2017). Audit firm tenure and audit quality implied by discretionary accruals and modified opinions: Evidence from Turkey. *Acta Universitatis Danubius. (Economica)*, 13(1), 1-11.
- Xie, B., Davidson III, W. N., & DaDalt, P. J. (2013). Earnings management and corporate governance: The role of the board and the audit committee. *Journal of Corporate Finance*, 9(3), 295-317.
- Yang, J.S., & Krishnan, J. (2015). Audit committee and quarterly earnings management. *International Journal of Auditing*, 9(3), 201-19.