



## INTERNAL AUDIT PRACTICES AND FINANCIAL REPORTING QUALITY OF LISTED MANUFACTURING FIRMS IN NIGERIA: THE ROLE OF AUDIT COMMITTEE

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**ABSTRACT:** *The purpose of this study was to investigate the moderating role of audit committee on the association between internal audit practices and quality of financial reporting of listed consumer goods manufacturing firms in Nigeria. The study used cross sectional and correlational research designs with a population of twenty-one (21) while a sample of ten (10) listed consumer goods manufacturing firms were used for the study. Primary data from structured questionnaires were used for data collection after validity and reliability tests while the responses obtained from the questionnaires were analysed using univariate, bivariate and multivariate analysis of data.. The findings indicate a positive and significant relationship between internal controls, audit risk assessment, internal audit independence on quality of financial reports. The study further revealed that audit committee moderates the association between internal audit practices and quality of financial reports. On the basis of the findings, the study concluded that audit committee moderates internal audit practices and financial reporting quality of listed consumer goods firms in Nigeria. Consequently, the study recommended amongst others that Internal audit departments of Consumer goods manufacturing firms should adopt and employ internal control measures like segregation of duties, restricted access through using access passwords that are frequently changed in evaluating earning per share, this gives opportunity to professional to study, understand, and apply new development on auditing procedures and dissemination of relevant financial information which will enhance financial reporting quality.*

**KEYWORDS:** Audit Committee, Internal Audit, Financial Reporting Quality, Internal Control



## INTRODUCTION

Financial reporting quality has remained an issue of major worry amongst financial experts, regulators, and other users of financial information. This is because financial reporting has been a principal means of communicating result of financial transactions and events which transpired within the organization to outsiders. Financial reporting is the process by which corporate entities provide interested parties (users) with information on their transactions during an accounting period (Kabiru & Usman., 2021). The users of financial statements need quality financial reports for economic decision making. Consequently, users of financial information expects that such information will assist in determining the health conditions of the reporting organisation and in making useful financial decisions (Kantudu, 2022; Kantudu, 2022, Ahmeti et al., 2022, Kaawaase et al., 2022; Ajape et al., 2022; Ayinla et al., 2022; Sewwandi et al., 2021; Koskei, & Otinga., 2021; Abakasanga et al., 2019). The quality of financial statements is the level of confidence in the presentation of financial information assessed by external auditors in the form of an opinion. The external auditor's responsibility lies in the opinion issued, while management's responsibility is the preparation and presentation of financial reports fairly by following the Internal Financial Reporting Standards (Fajrin & Suryani, 2021). The main purpose of financial reporting is to ensure, interpret notes, financial reports and to guide individuals who invest in various businesses to obtain the right information in making accurate financial resolutions to increase the level of company performance (Gebrayel et al., 2018).

Internal audit practice (IAP) provides stakeholders with information on a range of vital issues and play a vital role in monitoring the risk profile of an organization. Moreover, it identifies areas that will enhance the risk management procedures. An internal audit is helpful for entities in identifying and evaluating risks and putting the profession at the front line of risk management. The internal audit function plays a role in managing the control environment of the entity. This is because it is a reflection of the attitude and the policies of management concerning the relevance of internal audit in the entity Poltak et al. (2019) observed that the established effectiveness of internal audits is a control function for management in achieving the goals and targets of the organization. The internal audit practice is expected to enhance the value relevance of any establishment's published financial information, which will ultimately enhance organizational financial performance.

The corporate failures and other related downfalls which occurred around the globe and in Nigeria have increased fears about confidence in financial reporting practices by the manufacturing firm in Nigeria. In recent times, financial crime has become more pervasive, and the probability of corporate fraud occurring in Nigeria has become more severe. These aspects of business failure have put greater responsibility on financial experts and auditors. Evidence from the literature shows that the perpetuation of financial irregularities are becoming the specialty of both private and public sector in Nigeria as individual perpetrates fraud and corrupt practices according to the capacity of their office. Oladejo et al (2021) stated that audit failures of the early 2000s had raised concerns regarding the timeliness and reliability of financial information is a question for informed empirical investigation on financial reporting quality. Internal audit skills are now critical at resolving the mitigated confidence in audited financial statements. Consequently, sound internal audit practice improves the quality of financial reports maintained by an organization thereby creating users confidence.



Empirical evidence of internal audit practice and financial reporting quality revealed inconsistent results. Arisandi et al. (2022) study indicated that internal control disclosure has significant relationship with financial reporting quality. Ramadhan and Putri (2022) findings showed that internal audit size has a positive and significant effect on audit quality. Ajape et al. (2022) finding revealed that audit quality has a significantly positive effect on financial reporting quality (FRQ). The study concluded that audit quality significantly improves FRQ of listed companies in Nigeria. Aidi et al. (2022) finding indicated that there is a significant influence of the competence and independence of internal auditors on the quality of internal audit. Sewwandi and Abeygunasekera (2021) showed that there is a significant relationship between internal audit function positively correlates FRQ in banks. Oladejo et al (2021) results revealed that internal quality attributes of Internal Audit fee, Technical Training Proficiency, and Firm Size were significantly related internal audit practice and positively influence the financial reporting quality of sampled food and beverages firms in Nigeria. Kaawaase et al. (2021) result indicates that board expertise and board role performance are significantly associated with financial reporting quality. Also, internal audit quality is significantly associated with financial reporting quality. On other hand, the following prior studies result presented negative or insignificant association. For instance, Sembiring et al. (2022) study indicates that the internal audit has a significant negative effect on the quality of financial reports. Orjinta and Ofor (2022) result indicates that internal audit has insignificant effect on financial reporting quality. Edosa and Monye-Emina (2022) finding indicated that internal audit in term of audit committee attributes did not have any significant relationship with timeliness of financial reporting.

A number of studies have investigated the relationship between internal audit practices and audit committee on the quality of financial reports. Islahuzzaman et al. (2018) studied the effects of audit committee and internal audit on achieving financial quality and using external audit and corporate governance issues as intervening variables. The result indicated that internal audit and audit committee concurrently and partially impacts on financial reporting quality. Gebrayel et al. (2017) examined the role of audit committee and internal audit functions on financial reporting quality of listed firms in Oman from 2013 to 2014. The result showed that the frequency of audit committee meetings and the existence of internal audit function positively impact financial reporting quality.. Alzoubi (2019) studied audit committee and internal audit function on earnings management of Amman Stock Exchange from 2007 to 2010. The findings disclosed that the presence of audit committee and internal audit function minimized the extent of earnings management. The result further showed that audit committee presence and internal audit function reduce earnings management and improve financial reporting quality. Consequently, this study investigates the moderating effect of audit committee on internal audit practice and financial reporting quality of listed consumer goods manufacturing firms in Nigeria. The specific objectives include:

1. To investigate internal control activities on relevance of financial statements of listed consumer goods manufacturing firms in Nigeria.
2. To investigate risk based audit on relevance of financial statements of listed consumer goods manufacturing firms in Nigeria.
3. To investigate internal audit independence on relevance of financial statement of listed consumer goods manufacturing firms in Nigeria.



4. To investigate the moderating influence of audit committee on the relationship between internal audit practice and financial reporting quality of listed consumer goods manufacturing firms in Nigeria.

The following research questions guide the study:

1. What is the effect of internal control activities on relevance of financial statements of listed consumer goods manufacturing firms in Nigeria?
2. What is the effect risk based audit on relevance financial statements of listed consumer goods manufacturing firms in Nigeria?
3. What is the effect internal audit independence on relevance of financial statements of listed consumer goods manufacturing firms in Nigeria?
4. What is the moderating influence of audit committee on the relationship between internal audit practice and financial reporting quality of listed consumer goods manufacturing firms in Nigeria?

The following null hypotheses were tested:

**H<sub>01</sub>:** Internal control activities positively and significantly affect the relevance of financial statements of listed consumer goods manufacturing firms in Nigeria.

**H<sub>02</sub>:** Risk based audit positively and significantly affect relevance of financial statements of listed consumer goods manufacturing firms in Nigeria.

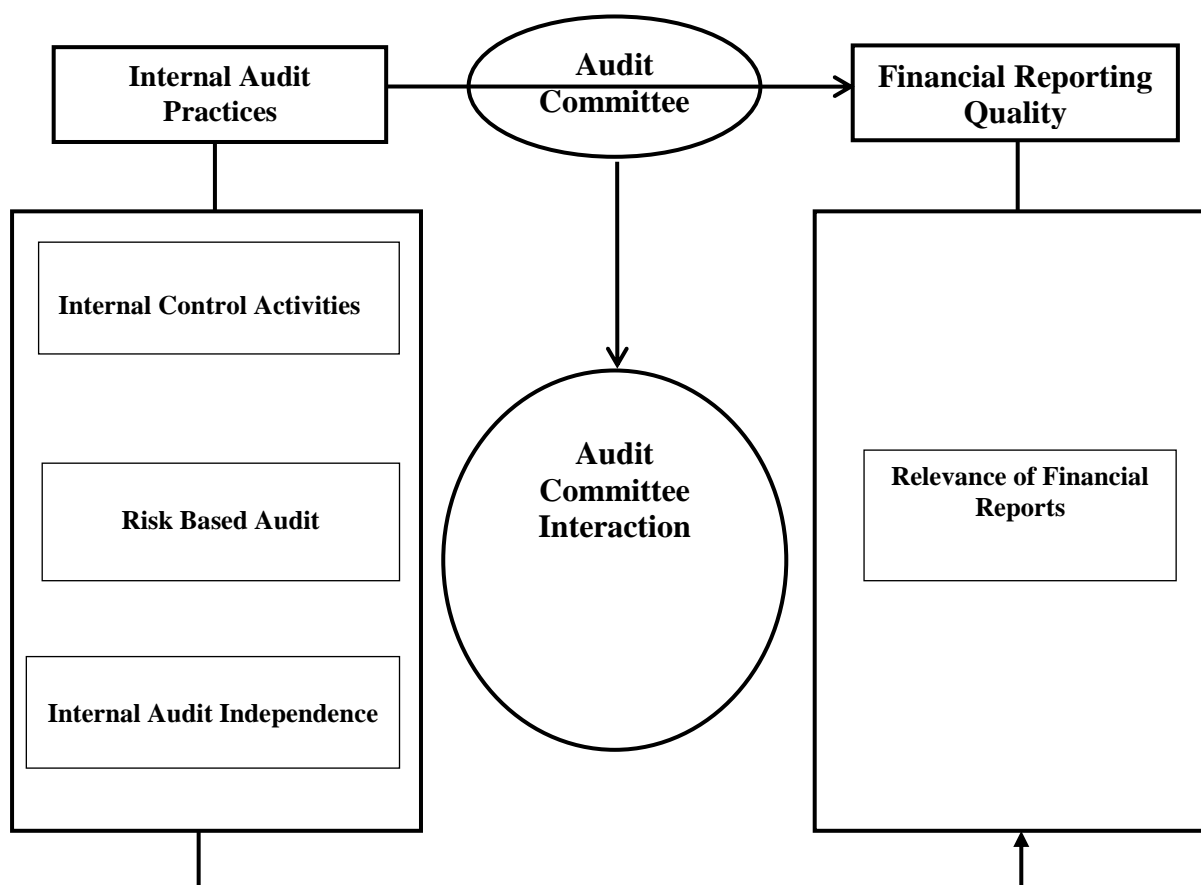
**H<sub>03</sub>:** Internal audit independence positively and significantly affects the relevance of financial statements of listed consumer goods manufacturing firms in Nigeria.

**H<sub>04</sub>:** Audit committee moderates the relationship between internal audit practice and financial reporting quality of listed consumer goods manufacturing firms in Nigeria.

## LITERATURE REVIEW

This study is centered on three key variables, including internal audit practice as the independent variable; financial reporting quality being the dependent variable; and audit committee as the contextual factor.

## Conceptual Framework



**Source:** Sembiring et al. (2022); Orjinta and Ofor (2022); Edosa and Monye-Emina (2022)

### Concept of Internal Audit Practices

Sishumba et al (2022) defined internal audit as a process that involves evaluating and analysing the internal controls of organisation by making sure the organisation complies with laws and regulations. Internal audit is also responsible for evaluating and improving the corporate governance and accounting processes of the organisation to makes sure that there is timely and effective data collection and also accurate financial reporting. The authors further stated that internal audits also give management tools needed to improve operational efficiency by detecting problems and fixing gaps before an external audit finds them. Appah (2019) defined internal audit as an activity designed to add value and improve the operations of a company by maintaining independence and high objectivity. Due to the independence and high objectivity, the internal audit helps in achieving organisation objectives because it evaluates and improves how effective risk management, control, and governance systems are in the organization. Afolabi and Olukoya (2019) defined internal audit practice as the examination of the financial report of an organization as represented in the financial statements by the internal auditor in the organization. This study used the following variables as measures of internal audit practices:



**Internal Control:** Internal control is defined as those activities or practices that are designed for the provision of logical security towards the achievement of corporate goals in an efficient, credible financial and administrative reporting, and the conformance of appropriate rules that safeguards the corporate reputations (Okoro & Orlu, 2021). Ofei (2020) defined internal control as all the policies and procedures adopted by the directors and management of an entity to assist in achieving their objective of ensuring, as far as practicable, the orderly and efficient conduct of its business, including adherence to internal policies, the safeguarding of assets, the prevention and detection of frauds and errors, the accuracy and completeness of accounting records, and the timely preparation of reliable financial information.

**Risk Based Audit:** Risk Based Audit is the process of providing an opinion on whether the risk is adequately managed and controlled. Hence risk based internal audit requires the entity to know all its significant inherent risks and evaluate these risks so that they can be prioritized in order of the threat they present. It is also described as the central arrangement that guides the financial statement audit process (Appah, 2019). The Auditing Standards stated that the objective of RBA was to improve the quality and efficiency of audits by extensively altering auditing activities and provide improved firmness to auditing activities in a number of vital areas including the assessment financial reporting risks to further audit procedures. The actions involved in risk management are critical in maintaining a good internal control system. Internal audit ensures that risks are properly managed, while management is responsible for identifying and managing risks.

**Internal Audit Independence:** Appah (2019) stated that internal audit independence is the capacity of the internal auditor to perform and report on the results of an audit exercise without preconceived notion and establish audit process and procedures without controlling pressure from the management of the entity. The need for internal auditors to be independent permits them to conduct an unbiased judgment essential to the right performance of the internal audit role within an entity. Consequently, for an internal auditor to be independent, he must have freedom from control and unnecessary pressure in the selection of audit procedure and technique and the variety of audit activities, audit areas, personal relationship, and managerial policies to be investigated. Abbott et al. (2017) investigated the effect of internal audit independence on chief audit executive report to audit committee, Chief Executive Officer or Chief Finance Officer, appointment and dismissal of chief audit executive, approval of chief audit executive annual budget evaluation of internal yearly risk audit assessment plan and financial reporting quality among the USA 1000 Fortune organisational. The result indicated that independence of internal audit is not associated with financial reporting quality. Gros et al. (2017) studied the association between internal audit practice and FRQ in the Germany. The findings suggested that internal audit organisational status contribute to effective FRQ. Ogundana et al. (2017) examined the accounting information quality and internal auditors characteristics in Nigerian organizations. The findings indicated a negative relationship between internal auditor's independence and accounting information quality.



## Concept of Financial Reporting Quality

Several definitions have been given to the term financial reporting quality. For instance, it is defined as the exact manner by which the report shows information as regards a business activity as it relates to its financial position, with the aim of informing shareholders about a company's operations (Aliyu, & Ismail, 2021). Karajeh and Ibrahim (2017) defined FRQ as the degree to which financial statements provide information that is fair and authentic about the financial position and performance of an enterprise. However, a commonly accepted definition is provided by Ragab (2014), who asserted that quality of financial reporting is complete and unambiguous information that is designed to guide users. The quality of financial reports can be measured using several dimensions. But this current study employed relevance of financial reports. Relevance is the concept of one topic being connected to another topic in a way that makes it useful to consider the second topic when considering the first. The concept of relevance is studied in many different fields, including cognitive sciences, logic, and library and information science (Akpan et al., 2018). According to Abakasanga et al. (2019) relevance of accounting information released to the general public by firms directly or indirectly has a major influence on investors' perceptions of the value of the business, and both individual and institutional investors attach great importance to information in the selection of portfolios of equity securities, bonds and other investments. Literarily, value relevance is the ability of financial statements accounting information to capture information that is capable of influencing share value in the stock market. Babatunde and Ayo (2019), posited that value relevance concept is all about how much of an entity's market value can be described by accounting information disclosed.

## Agency Theory

This theory was first advocated by Berle and Means (1932) but was further advanced by Jensen and Meckling (1976). Sani et al (2019) suggested that agency problem arises in a situation where the principal (owners, shareholders) employ the agent (board/management) to undertake number of duties on behalf of the owners for a reward. Appah (2022) stated that agency theory is the application of game theory to the explanation of the circumstances in which a person (the agent) acts on behalf of the principal for the advancement of the principal's objectives. According to Adeyemi, et al, (2019), agency theory is a unit of finance and accounting that explains the conflicts of interest between stakeholders with diverse interests in the same asset. According to Wangana and Karanja (2015), the agency model explains the separation of the principal and the agent which results in a conflict of interest in the ownership. Hence, managers of corporate entities must be monitored to reduce hazards using monitoring structures that checks behaviour of managers. This theory provides that a relationship between the owners and manages leads to conflict which may result in additional costs related to resolving the conflicts between owners and managers (Jensen & Meckling, 1976 in Kisangi, 2021). Agency theory is the most popular issue in corporate governance studies as it hypothesizes that in contemporary firms where share ownership is held widely, management actions depart from those required to maximize the wealth of shareholders. Atuahene (2016) maintained that agency theory is the beginning point for corporate governance debate. The author further noted that this is due to the conceptual simplicity and the notion of human beings as self-interested is universally accepted (Atuahene, 2016).



Scholars have criticized agency theory. According to Dallas (2011), the theory fails to identify which social returns needed to be pursued by organisations given their focus on maximization of profit. The author also stated that the theory does not set the rules defining an acceptable level of risk (Narbel & Muff, 2017). Rappaport (2005) noted that agency theory over time has resulted in shareholders becoming fascinated with quarterly earnings thus forcing executives to concentrate solely on reported short-term financial performance measures (Narbel & Muff, 2017). Agency theory is faced with several limitations despite the popularity of this theory. Atuahene (2016) noted that in agency theory, the agent may have succumbed to self-interest, opportunistic behaviour and falling short of congruence between the principal's aspirations and the agent's pursuit. This is because both the principal and agent may behave rationally and opportunistically in their dealings. Urhoghide and Omolaye (2017) maintained that one of the critiques of the agency theory is the implicit presumption that the conflicts are between strong, entrenched managers and weak, dispersed shareholders.

This current study applied agency theory essentially because of its relevance on the significance of ownership and control in private enterprise governance (Jensen & Meckling, 1976). Agency theory focused on the control mechanisms of organisations as representatives of the owners to monitor and control opportunistic behaviour people in management so as to achieve improved governance in organisations. This is provided by several previous studies, which suggested that an vital argument of the agency theory is that organisations that have valuable control mechanisms are more likely to achieve good governance which could lead to better quality of financial reports. Consequently, this study focused on the relative importance of internal audit practices in achieving FRQ in organisations. Therefore, the application of agency theory in the present study is based on the arguments that if entities have adequate internal audit departments the financial reporting processes will improved.

### **Empirical Review**

Arisandi et al. (2022) examined internal control disclosures and financial reporting quality of banks in Indonesia. The study used data of listed banks' financial statement from 2016-2019. Sample was chosen using purposive sampling method and the data collected from the financial statements were analysed using multiple regression analysis. The results of study indicate that internal control disclosures significantly related to financial reporting quality. The research contributes empirically to the development of the literature as well as practically becomes a consideration for relevant management in making corporate decisions regarding the disclosure of their internal controls.

Ramadhan and Putri (2022) examined internal audit function and its effect on audit quality of non-financial firms listed on the Indonesia Stock Exchange. The research used quantitative research method and data from the financial statements of the sampled firms. After applying the sample selection criteria, 722 observations were obtained as the sample for the study. The data obtained were analysed using multiple linear regression. The results showed that internal audit size has a positive and significant effect on audit quality of earning management. Internal audit expertise has a positive and significant effect on audit quality of earning management. Internal audit certification has a positive and insignificant effect on audit quality of earning management.





Ayinla et al. (2022) investigated the influence of audit attributes on the financial reporting quality of twelve (12) listed Deposit Money Banks in Nigeria from 2012 to 2018. The study used correlational research design with a population consists of fourteen (14) listed DMBs, whereas the adjusted population consists of twelve (12) listed DMBs. Panel data were extracted from the financial report based on the Modified Jones model and the data collected were analysed using the pooled OLS regression analysis. The regression results demonstrated that audit committee independence and audit committee expertise had a favourable and significant impact on the financial reporting quality of Nigerian listed DMBs. As a result of the study's findings, audit committee independence and audit committee expertise have a significant propensity to enhance financial reporting quality.

Kantudu (2022) evaluated effect of the audit committee on financial reporting quality in Nigeria. The study utilized data from 41 non-financial firms listed on the Nigerian Exchange Group (NGX) from 2011 to 2019. The study employed the Generalized Method of Moments (GMM) technique which is robust to endogeneity and heteroskedasticity threat. The findings indicate that audit committee size, shareholders and financial experts' inclusion in audit committee convey a significantly negative relationship with earnings management, thereby reducing discretionary accruals and increase financial reporting quality. The study recommends that the board of directors should ensure appointment of sufficient audit committee members with adequate financial expertise in which shareholder should be included. This will enable them to perform their functions effectively through proper oversight function and create good atmosphere for the statutory audit. This can also lead to suppressing reporting irregularities and increase public confidence regarding the quality of financial report.

Sembinging et al. (2022) analyzed effect of the audit committee and the external audit on the quality of financial statements of manufacturing companies listed on the Indonesia Stock Exchange (IDX). The population was manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the chemical sub-sector for the period 2018-2021. The data used in the study was secondary data. The sampling technique used was purposive sampling with 48 observations. The secondary collected from the financial statements were analysed using descriptive statistics, classical linear regression analysis assumption test and multiple regression analysis. The results of the study indicate that partially the Audit Committee has a significant negative effect on the quality of financial reports and External Audit has a positive effect on the quality of reports. Simultaneously, the audit committee and the External Audit have an effect on the quality of financial reports.

Nwaobia et al (2022) evaluated the effect of Internal Audit Function (IAF) on financial reporting quality of listed manufacturing companies in Nigeria. The study adopted survey research design. The population comprised 1,192 senior staff members in the accounting, internal audit, board members and audit committee members of the 56 manufacturing companies listed in the Nigerian Stock Exchange. Convenience sampling technique was used to select a sample of 330 respondents determined using Taro Yamane's formula. Three hundred and thirty copies of a structured and validated questionnaire were administered to respondents and 277 were retrieved. Data were analyzed using descriptive and inferential (multiple regression) statistics. Findings revealed that IAF exerted a significant effect on relevance and faithful representation of financial reporting. The study concluded that internal audit function enhanced financial reporting quality of listed manufacturing companies in Nigeria. The study recommended that the Financial Reporting Council of Nigeria and the



Securities and Exchange Commission should enforce the disclosure of internal audit reports and management responses to it, in order to enhance the relevance and faithful representation of financial reporting.

Sewwandi and Abeygunasekera (2021) examined the relationship between the Internal Audit Function (IAF) and Financial Reporting Quality (FRQ) in the Banking Industry of Sri Lanka. The study used a quantitative approach with survey method as the primary data collection method. Respondents were internal auditors of 18 banks. The study used regression models for data analysis. The findings showed that there is a significant relationship between IAF and external audits exists, with all four variables positively correlating to FRQ in banks. A significant relationship between the IAF and fraudulent FR exists, with all eight variables correlating to FRQ in banks (collaboration having a negative correlation). It was suggested that management and boards of directors in the banks, bank regulators, and investors can identify the link between IAF and FRQ and the importance of focusing on stakeholder requirements.

Oladejo et al (2021) evaluated the attributes of internal audit practice and its influence on reporting quality of selected firms. Secondary data of nine (9) years range (2010 to 2019) were obtained from the financial reports of (4) four food and beverages firms purposively selected out of the twenty-three (23) listed on the Nigeria Stock Exchange as of December 2020. The internal Audit practice is the independent variable in this study and it is measured by three factors (Internal Audit fee, Technical Proficiency of internal auditor, and Firm Size). The dependent variable is the financial reporting quality. Mean ranking analysis was used to evaluate determinants of Internal Audit attributes in the selected firms while regression analysis was employed to measure the influence of internal audit quality on the financial reporting quality of sampled firms at 95% confidence level. The overall results revealed that all the identified internal quality attributes (Internal Audit fee, Technical Training Proficiency, and Firm Size) were significantly related to internal audit practice and positively influence the financial reporting quality and performance of selected sampled food and beverages firms in Nigeria.

Kaawaase et al. (2021) investigated internal audit quality and financial reporting quality of financial institutions in Uganda. The study research design was cross sectional and correlational. The study used a questionnaire survey of Chief Finance Officers, Senior Accountants and Internal audit managers of financial institutions in Uganda. Data were analyzed with the help of Statistical Package for Social Sciences. Results indicate that board expertise and board role performance are significantly associated with financial reporting quality. Also, internal audit quality is significantly associated with financial reporting quality. Board independence is not a significant predictor of financial reporting quality.



## METHODOLOGY

**Philosophical Underpinning:** This study adopted positivism as its philosophical underpinning. Positivism is an epistemological philosophical approach in management science which hinges on the application of the methods of the natural sciences to the investigative study of organizational realities (Ahiauzu & Asawo, 2016).

**Research Design:** This investigation was intended to explicate the connection between internal audit practices and quality of financial reports of listed consumer goods manufacturing firms listed on the Nigeria Exchange Group (NGX). This study adopted descriptive survey research design. In descriptive survey research design, according to Kpolovie (2010), survey research design is any developmental field investigation that systematically collects, analyses and synthesizes quantitative data on a large representative sample of a given population to cross-sectionally or longitudinally identify, describe and explain the relative incidence, distribution and interrelations of variables as well as other characteristics about sample through data collected from personal interview, telephone interview, self-administered inquiry, and computer assisted inquiry for accurate generalization to cover the total population .

**Population of the Study:** A population is seen as an entire group of individuals, events or objects that possess a similar characteristic. Target population is referred to as a computed set of individuals, cases or objects with some common observable characteristics of a particular nature that is distinct from other population. A population is a well-defined or set of people, services, elements, events group of things or households that are being investigated. This population insists that the population of interest is homogenous. The targeted population of this study consists of all twenty-one (21) consumer goods manufacturing firms listed on the Nigeria Exchange Group (NGX).

**Sample and Sampling Technique:** The sampling technique used in this study was purposive sampling technique. Ten (10) consumer goods manufacturing firms were chosen simply because as at the time of this research work and analysis, it is not all the consumer goods manufacturing firms have branches that are located in South-South geo political zone, Nigeria.

**Method of Data Collection:** Data collection is the method of gathering relevant information for use in addressing the research questions and hypotheses testing. For the purpose of the sources of data collection for this research primary sources of data collection were employed. The primary data assisted in obtaining the actual information needed for the research. This is done by designing and administering questionnaires. The questionnaires would be administered by the researcher with validating interviews with some of the respondents. The instrument used for collecting data for this study was designed by the researcher taking into consideration the objectives of the study. The instrument was named **Moderating Role of Audit Committee on Internal Audit Practices and Financial Reporting Quality**. It comprised of four sections. Section one provide information on the biodata of the respondents; section two consists of questions on internal control; section three consists of questions on management support and section four consists of questions on audit risk assessment. These questions used Likert-type scale of Strongly Agree (SA), Agree (A), Undecided (U), Disagree (D), and Strongly Disagree (SD), the respondents were required to



indicate by a tick against the option that best expressed their opinion as the perception of internal audit practices.

**Validity and Reliability of Data:** The study used content validity and the instrument was given to experts in the field of accounting and auditing to read through and made necessary corrections. The second process that was used to validate the instrument was that the questionnaire was pre-tested and the responses from the respondents were used to improve on the items. In summary, the validity of this study rests on an overall evaluative judgment founded on empirical evidence and theoretical rationales of the adequacy, appropriateness of inferences and action based on the test scores. To make the research instrument in this study worth relying on, the test-retest reliability was used. The instrument was administered to two hundred and ninety (290) of the targeted respondents and after a period of two weeks, the same instruments again were given to the same twenty-five (25) respondents to ascertain the reliability. The Cronbach alpha reliability test was used to determine the statistical reliability of the instrument. A Cronbach alpha value that is above 0.5 (that is 50%) is reliable and values between 0.7 and 0.9 is very reliable.

**Table 1: Cronbach Alpha Reliability Statistics**

Variables	Dimensions/Measures	Items	Alpha
Internal Audit	Internal Control	5	.830
	Audit Risk Assessment	5	.810
Financial Reporting Quality	Audit Independence	5	.836
	Relevance	5	.913
Audit Committee Interaction		5	.810

**Source:** SPSS Output, 2024

**Data Analysis Technique:** The data obtained from the administered questionnaires were analysed using univariate and bivariate analysis. The study is guided by the model below:

$$REL = \beta_0 + \beta_1 INC_1 + \beta_2 ARA_2 + \beta_3 AID_3 + \beta_4 ACI_4 + \beta_5 INC * ACI + \beta_6 ARA_6 * ACI + \beta_7 INC * ACI + \beta_8 AID * ACI + e$$

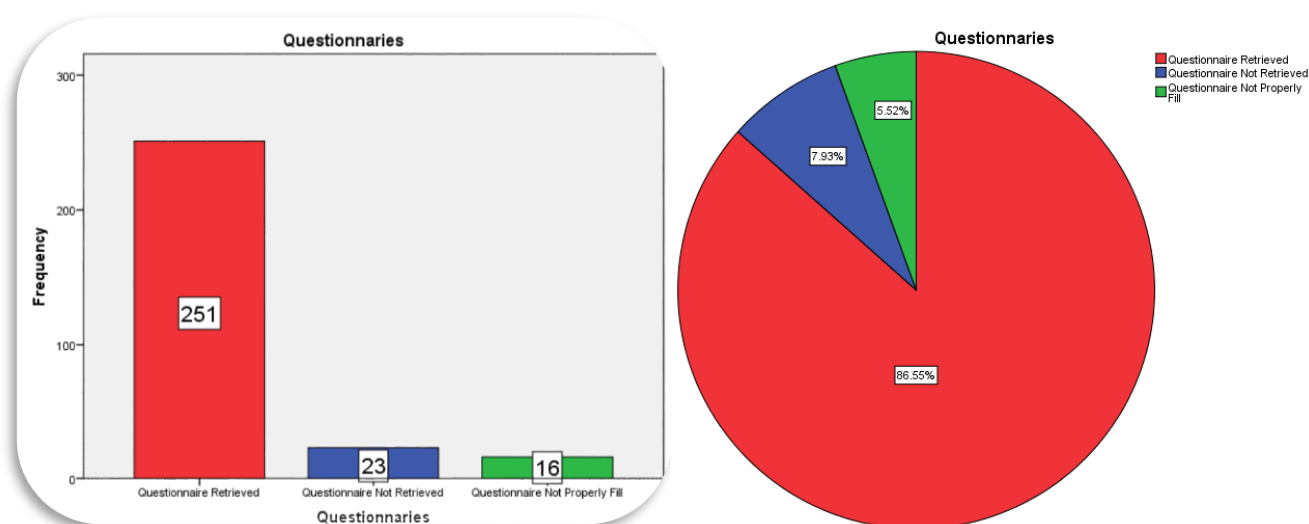
Where: INC = Internal Control; ARA = Audit Risk Assessment; AID = Audit Independence; REL = Relevance; ACI = Audit Committee Interaction,  $\beta_0$  = Constant,  $\beta_1 - \beta_8$  Coefficients and  $e$  = error term

## RESULTS AND DISCUSSIONS

This study was an active field work where the researchers had directly and indirectly contacts with the respondents at different times. This section was designed to enable the researchers to present the primary data collected from the descriptive survey and the results obtained are analysed with the help of statistical package for social sciences (SPSS).

**Table 2: Response Rate of Questionnaire Distributed**

	Frequency	Percent	Valid Percent	Cumulative Percent
Questionnaire Retrieved	251	86.6	86.6	86.6
Questionnaire Not Retrieved	23	7.9	7.9	94.5
Valid Questionnaire Not Properly Fill	16	5.5	5.5	100.0
Total	290	100.0	100.0	



**Figure 1 Response Rate of Questionnaire Distributed**

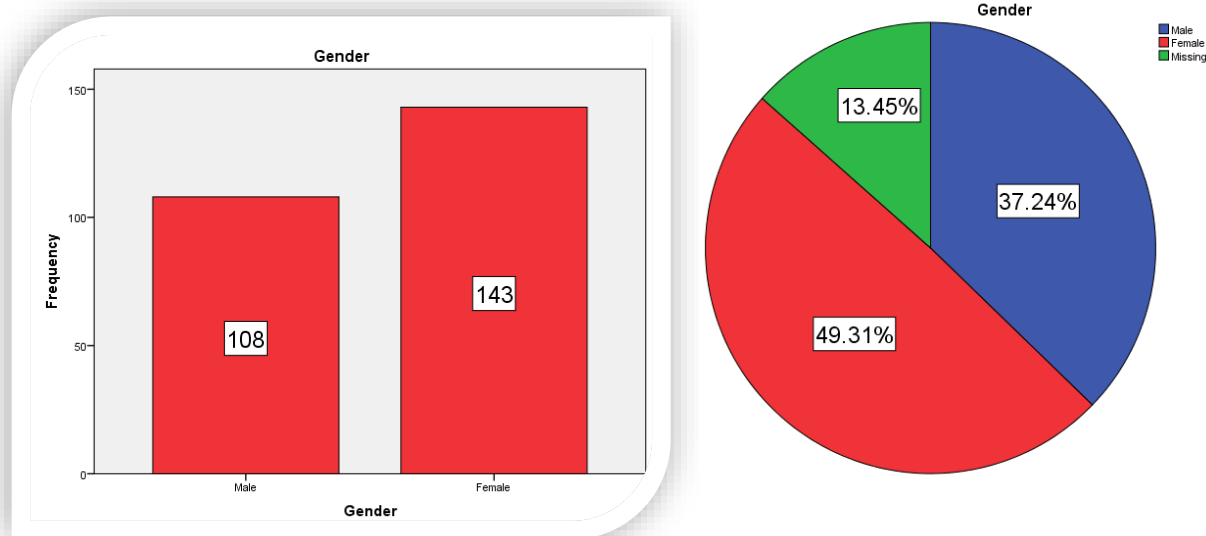
Source: SPSS Output of Field survey (2024)

Table 2, Bar chart and Pie chart showed that, the researchers distributed a total of two hundred and ninety (290) questionnaires to ten (10) consumer manufacturing firms in Nigeria, out of these, two hundred and fifty-one (251) respondents representing 86.6% completed the questionnaires correctly and returned, whereas twenty three (23) respondents representing 7.9% did not return the completed questionnaires while sixteen (16) respondents representing 5.55% filled the questionnaires wrongly and returned the questionnaires. Due to time constraints the researcher could not continue waiting for the respondents who were not available to return their questionnaire at the appointed date. Therefore, two hundred and fifty-one (251) representing a response rate of 86.6% were used as the sample size for the study.

**Table 3 Gender Distribution**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	108	37.2	43.0	43.0
Valid Female	143	49.3	57.0	100.0
Total	251	86.6	100.0	

Source: Field Survey (2024) Via SPSS Output



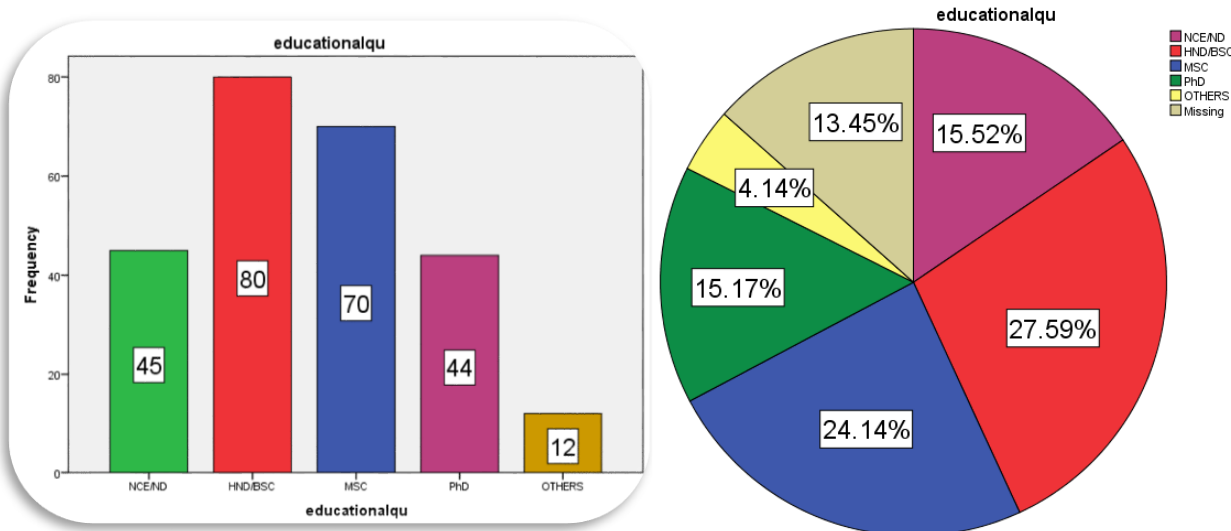
**Figure 2: Gender Distribution**

From the results in table 3 Bar Chart and Pie Chart disclosed the gender distribution data analysis, it showed that out of the two hundred and fifty-one (251) respondents sampled constituted managers, account officers, supervisors and department heads of consumer manufacturing firms in Nigeria. The study revealed that one hundred and eight (108) representing 43.0% response rates were male, while one hundred and forty three (143) representing 57.0% response rates were female. The bar chart discovered that there were more females employees than males in consumer goods manufacturing firms in Nigeria.

**Table 4 Educational Level**

	Frequency	Percent	Valid Percent	Cumulative Percent
NCE/ND	45	15.5	17.9	17.9
HND/BSC	80	27.6	31.9	49.8
MSC	70	24.1	27.9	77.7
PhD	44	15.2	17.5	95.2
OTHERS	12	4.1	4.8	100.0
Total	251	86.6	100.0	

Source: Field Survey (2024) Via SPSS Output



**Figure 3: Educational Level Distribution**

The bar chart and table 4 revealed forty five (45) of the respondents representing seventeen percent (17.5%) have NCE/ND, eighty (80) representing 31.9 were B.Sc/HND holders, seventy (70) representing approximately 27.9% have M.Sc. (Master’s degree), forty-four (44) representing 17.5% response rates have Ph.D (Doctorate Degree) and finally, twelve (12) representing 4.8% response rates have other degrees not specific in the questionnaires. This implied that respondents were well educated and they were able to respond to research questions with ease. The bar chart discovered that B.Sc/HND Degree holders have more percentage than NCE/ND, M.SC, PhD and Other academic qualifications in consumer goods manufacturing in Nigeria.



## Univariate Analysis

**Table 5 Items and Scores on Internal Controls**

S/N		SA	A	MA	D	S D	Total	Mean	Std D
1	There is a functional internal control unit/department in our organization	89	51	49	48	14	251	3.609	1.2926
		35.5	20.3	19.5	19.1	5.6	100		
2	The internal control unit has developed an internal audit manual that guides audit operations	111	44	43	44	9	251	3.812	1.2683
		44.2	17.5	17.1	17.5	3.6	100		
3	Control activities has affected our financial revenue for the last five years	89	63	37	36	26	251	3.609	1.3649
		35.5	25.1	14.7	14.3	10.4	100		
4	There is segregation of duties amongst the employees	82	58	49	48	14	251	3.581	1.2729
		32.7	23.1	19.5	19.1	5.6	100		
5	There is regular confirmation, valuation of assets to ensure their physical presence and adequate disclosure in the balance sheet	85	52	53	47	14	251	3.601	1.2902
		33.9	20.7	21.1	18.7	5.6	100.		

**Source:** *Field Survey (2024)*

Results in Table 5 shows that majority 89(35.5%) and 51(20.3%) of the respondents strongly agreed and agreed that there is a functional internal control unit/department in their organization (Q1), in Q2, majority of respondents 111(44.2%) and 44(17.5) strongly agreed and moderately agreed that the internal control unit has developed an internal audit manual that guides audit operations. Furthermore, majority of the respondents 82(32.7%) strongly agreed that there is segregation of duties amongst the employees (Q4). in Q5 85(33.9%) and 52(20.7%) of the respondents strongly agreed and agreed that there is regular confirmation, valuation of assets to ensure that physical presence and adequate disclosure in the statement of financial position. Furthermore, the result indicated that, strongly agreed and agreed had the highest response rate about surface acting. The highest mean value of 3.812 from question two (2) provides that internal control unit has developed an internal audit manual that guides audit operations and the highest standard deviation of 1.3649 from question three (3) presents that control activities affects financial revenue for the last five years. This implies that internal controls activities provide the expected objectives of achieving financial reporting quality of consumer goods manufacturing in Nigeria.



**Table 6 Items and Scores on Audit Risk Management**

S/ N		SA	A	M A	D	S D	Total	Mean	Std D
1	The Internal audit function has a clear guideline that enable the identification and assessment of risks that threaten the achievement of firm's objectives	84	46	58	44	19	251	3.609	1.3154
		33.5	18.3	23.1	17.5	7.6	100		
2	The audit risk assessment produce quarterly financial reports in our organization	83	48	34	80	6	251	3.4861	1.3033
		33.1	19.1	13.5	31.9	2.4	100		
3	The internal audit function ensures that risk identification considers both internal and external factors and their impact on the achievement of objectives	84	48	45	63	11	251	3.5219	1.3002
		33.5	19.1	17.9	25.1	4.4	100		
4	The audit risk assessment conduct annual appraisals of internal audit practices in our organization	82	86	24	48	11	251	3.7171	1.2278
		32.7	34.3	9.6	19.1	4.4	100		
5	There is compliance test in audit risk assessment	118	51	33	45	4	251	3.9323	1.2097
		47.0	20.3	13.1	17.9	1.6	100		

**Source:** *Field Survey (2024)*

Results in Table 6 shows that majority 84(33.5%) and 58(23.1%) of the respondents strongly agreed and moderately agreed that Internal audit function has a clear guideline that enable the identification and assessment of risks that threaten the achievement of firm's objectives (Q1), in Q2, majority of respondents 83(33.1%) and 48(19.1%) strongly agreed and agreed that the audit risk assessment produce quarterly financial reports in our organization while 80(31.9%) disagreed with the statement. Furthermore, majority of the respondents 82(32.7%) and 86(34.3%) strongly agreed and agreed that the audit risk assessment conduct annual appraisals of internal audit practices in their organization (Q4). in Q5 118(47.0%) and 51(20.3%) of the respondents strongly agreed and agreed that there is compliance test in audit risk assessment. Furthermore, the result indicated that, strongly agreed and agreed had the highest response rate about deep acting. The highest mean value of 3.9323 derived from question five (5) provides that compliance test in audit risk assessment and the highest standard deviation of 1.3154 derived from question one (1) provides that internal audit function has a clear guideline that enable the identification and assessment of risks that threaten the achievement of corporate objectives. This implies that internal controls activities provide the expected objectives of achieving financial reporting quality of consumer goods manufacturing in Nigeria.

**Table 7: Items and Scores on Audit Independence**

S/N		SA	A	MA	D	SD	Total	Mean	Std D
1	The internal auditor has authorization and unrestricted access to audit and investigate every area.	89	50	43	41	28	251	3.521	1.400
		35.5	19.9	17.1	16.3	11.2	100		
2	The internal auditor is at liberty to choose audit procedure, approach and techniques.	125	52	30	35	9	251	3.992	1.2263
		49.8	20.7	12.0	13.9	3.6	100		
3	Internal auditors are free from duties that conflict with their roles as internal auditors.	92	86	26	46	1	251	3.884	1.1093
		36.7	34.3	10.4	18.3	.4	100		
4	Head of internal audit meets with external auditors without management presence.	116	48	37	41	9	251	3.880	1.2560
		46.2	19.1	14.7	16.3	3.6	100		
5	Internal auditors have unrestricted access to all aspects of the entity.	88	87	16	48	12	251	3.761	1.2484
		35.1	34.7	6.4	19.1	4.8	100		

**Source:** *Field Survey (2024)*

Results in Table 7 shows that a majority of the respondents 89(35.5%) and 50(19.9%) of the respondents strongly agreed and agreed that the internal auditor has authorization and unrestricted access to audit and investigate every area (Q1), in Q2, majority of respondents 125(49.8%) and 52(20.7%) strongly agreed and agreed that the internal auditor is at liberty to choose audit procedure, approach and techniques while 35(13.9%) disagreed with the statement. Furthermore, majority of the respondents 116(46.2%) and 48(19.1%) strongly agreed and agreed that head of internal audit meets with external auditors without management presence (Q4). in Q5 88(35.1%) and 87(34.7%) of the respondents strongly agreed and agreed that the internal auditor have unrestricted access to all aspects of the entity. Furthermore, the result indicated that, strongly agreed and agreed had the highest response rate about internal audit independence. The highest mean value of 3.992 derived from question five (5) statement that internal auditor have unrestricted access to all aspects of the entity the highest standard deviation of 1.400 derived from question one (1) statement that internal auditor has authorization and unrestricted access to audit and investigate every area. This implies that internal audit independence influences financial reporting quality of consumer goods manufacturing in Nigeria.

**Table 8 Items and Scores on Relevance**

S/N		SA	A	M A	D	S D	Total	Mean	Std D
1	The annual report discloses information in terms of business opportunities, and risk complement the financial information	101	40	56	41	13	251	3.697	1.2883
		40.2	15.9	22.3	16.3	5.2	100.0		
2	Financial reports are presented annually as required by regulatory bodies of accounting	76	46	37	75	17	251	3.354	1.3585
		30.3	18.3	14.7	29.9	6.8	100.0		
3	The annual reports provides feedback information on how various market events and significant transactions affected the company	77	64	43	51	16	251	3.537	1.2874
		30.7	25.5	17.1	20.3	6.4	100.0		
4	The information helps you confirm profitability levels of the business	77	84	24	48	18	251	3.613	1.2923
		30.7	33.5	9.6	19.1	7.2	100.0		
5	No undue delays in the presentation of financial report in the company	124	38	33	45	11	251	3.872	1.3144
		49.4	15.1	13.1	17.9	4.4	100.0		

**Source:** Field Survey (2024)

Results in Table 8 shows that a majority 101(40.2%) and 56(22.3%) of the respondents strongly agreed and moderately agreed that the annual report discloses information in terms of business opportunities, and risk complement the financial information (Q1), in Q2, majority of respondents 76(30.3%) and 46(18.3%) strongly agreed and agreed that financial reports are presented annually as required by regulatory bodies of accounting while 75(29.9%) disagreed with the statement. Furthermore, majority of the respondents 77(30.7%) and 84(33.5%) strongly agreed and agreed that the information helps them confirm profitability levels of the business (Q4). in Q5 124(49.4%) and 38(15.1%) of the respondents strongly agreed and agreed that no undue delays in the presentation of financial report in the company. Furthermore, the result indicated that, strongly agreed and agreed had the highest response rate about relevance. The highest mean value of 3.8725 derived from question five (5) of no undue delays in the presentation of financial reports in firms and the highest standard deviation of 1.35859 came question 2 statements about relevance. This implies that relevance activities to meet the set objectives about internal audit practices of consumer goods manufacturing in Nigeria.

**Table 9 Items and Scores on Audit Committee**

S/N		SA	A	MA	D	SD	Total	Mean	Std D
1	Audit committee assesses and evaluates internal audit work plan	88	56	45	45	17	251	3.609	1.3080
		35.1	22.3	17.9	17.9	6.8	100		
2	Audit committee reviews internal audit proposals in connection with coordination between internal and external audit	104	51	39	41	16	251	3.7410	1.3178
		41.4	20.3	15.5	16.3	6.4	100		
3	Audit Committee reviews the results of internal audit in relation to financial reporting	109	57	30	29	26	251	3.7729	1.3799
		43.4	22.7	12.0	11.6	10.4	100		
4	Audit committee assesses internal audit compliance with appropriate rules and regulations in the conduct of their duties	74	82	45	36	14	251	3.6614	1.2003
		29.5	32.7	17.9	14.3	5.6	100		
5	Audit committee ensures an annual report on the internal audit are presented each year at the audit committee meeting	47	69	41	19	251	47	3.4701	1.2783
		29.9	18.7	27.5	16.3	7.6	100		

**Source:** *Field Survey (2024)*

Results in Table 9 shows that a majority 88(35.1%) and 56(22.3%) of the respondents strongly agreed and agreed that audit committee assesses and evaluates internal audit work plan (Q1), in Q2, majority of respondents 104(41.4%) and 51(20.3%) strongly agreed and agreed that Audit committee reviews internal audit proposals in connection with coordination between internal and external audit and Audit Committee reviews the results of internal audit in relation to financial reporting. Furthermore, majority of the respondents 74(29.5%) and 82(32.7%) strongly agreed and agreed that audit committee assesses internal audit compliance with appropriate rules and regulations in the conduct of their duties (Q4). in Q5 47(29.9%) and 69(18.7%) of the respondents strongly agreed and agreed that audit committee ensures an annual report on the internal audit are presented each year at the audit committee meeting. Furthermore, the result indicated that, strongly agreed and agreed had the highest response rate about job satisfaction. The highest Mean value of 3.7729 came from question 3 statements that timeliness in relationship to internal audit practices, the highest standard deviation of 1.37994 came question 3 statements about deep acting. This implies that audit committee moderates the relationship between internal audit practice and quality of financial reports of listed consumer goods manufacturing firms in Nigeria.

**Table 10: Bivariate (Correlation Matrix) Analysis**

	REV	INC	ARA	AID	ACI
REV	1.000000				
INC	0.026806	1.000000			
ARA	0.055176	0.026033	1.000000		
AID	0.079094	0.343863	0.016082	1.000000	
ACI	0.002173	0.138946	0.008916	0.006278	1.000000

**Source:** Authors computation Using E-view 10

The pairs of variables falling within this category are INC, ARA, AID, REL and ACI which approximately yield correlation coefficients. The relatively low levels of correlation as indicated in the table clearly establish there is no multicollinearity in the model.

**Table 11: Result on Moderating Influence of Audit Committee Interaction on Internal Audit Practices and Financial Reporting Quality**

Dependent Variable: REL

Method: Least Squares

Date: 4/16/24 Time: 06:45

Sample: 2024

Periods included: 10

Cross-sections included: 16

Total observations: 251

Variable	Coefficient	Std. Error	t-Statistic	Prob.
INC	0.036540	0.016259	2.247371	0.0269
ARA	0.002342	0.000755	3.104521	0.0023
AID	0.071101	0.030799	2.308548	0.0445
ACI	0.361466	0.064339	2.618168	0.0370
INC * ACI	0.161783	0.061464	2.632169	0.0095
ARA * ACI	0.312273	0.129394	2.413349	0.0370
AID * ACI	0.150252	0.054809	2.741344	0.0312
C	0.126797	0.047378	2.676284	0.5758

#### Effects Specification

#### Period fixed (dummy variables)

R-squared	0.872839	Mean dependent var	0.127146
Adjusted R-squared	0.834352	S.D. dependent var	0.154619
S.E. of regression	0.077871	Akaike info criterion	-2.114840
Sum squared resid	0.806506	Schwarz criterion	-1.595905
Log likelihood	196.1872	Hannan-Quinn criter.	-1.904119
F-statistic	18.99435	Durbin-Watson stat	2.779615
Prob(F-statistic)	0.000000		



Table 11 shows the moderating influence of audit committee interaction on the relationship between internal audit practices and financial reporting quality of listed consumer goods companies in Nigeria. The  $R^2$  of the regression analysis showed 87.2% and that of adj- $R^2$  83.4%. The Durbin Watson stat 2.779615 indicating less interference of autocorrelation in the standard errors of the coefficients. Equally of interest to note are the improvements in the other various indicators of the information quality of the model.

The results in table 11 revealed a positive relationship between internal controls and relevance of financial reports quality of consumer goods manufacturing firms in South-South, Nigeria with a significance P-value  $0.027 < 0.005$  chosen alpha level. Thus, the significance value is less than the chosen alpha level; therefore the null hypothesis two ( $H_{o1}$ ) is rejected and the alternate hypothesis two ( $H_{a1}$ ) is accepted. Therefore, the researcher concludes that internal controls positively and significantly influence the relevance of financial reports of listed consumer goods manufacturing in Nigeria.

The results in table 11 revealed a positive relationship between audit risk assessment and relevance of financial reports quality of consumer goods manufacturing firms in South-South, Nigeria with a significance P-value  $0.0023 < 0.005$  chosen alpha level. Thus, the significance value is less than the chosen alpha level; therefore the null hypothesis two ( $H_{o2}$ ) is rejected and the alternate hypothesis two ( $H_{a2}$ ) is accepted. Therefore, the researcher concludes that audit risk assessment positively and significantly influence the relevance of financial reports of listed consumer goods manufacturing in Nigeria.

The results in table 11 revealed a positive relationship between internal audit independence and relevance of financial reports quality of consumer goods manufacturing firms in South-South, Nigeria with a significance P-value  $0.0045 < 0.005$  chosen alpha level. Thus, the significance value is less than the chosen alpha level; therefore the null hypothesis two ( $H_{o3}$ ) is rejected and the alternate hypothesis two ( $H_{a3}$ ) is accepted. Therefore, the researcher concludes that internal audit independence positively and significantly influences the relevance of financial reports of listed consumer goods manufacturing in Nigeria.

The results in table 11 revealed a positive relationship between audit committee interaction and relevance of financial reports quality of consumer goods manufacturing firms in South-South, Nigeria with a significance P-value  $0.0370 < 0.005$  chosen alpha level. Thus, the significance value is less than the chosen alpha level; therefore the null hypothesis two ( $H_{o4}$ ) is rejected and the alternate hypothesis two ( $H_{a4}$ ) is accepted. Therefore, the researcher concludes that audit committee interaction positively and significantly influences the relevance of financial reports of listed consumer goods manufacturing in Nigeria.



## DISCUSSION OF FINDINGS

### Internal Controls and Financial Reporting Quality

The findings from the regression analysis on hypotheses one reveals a positive and significant relationship between internal controls on the relevance of financial reports of listed consumer goods manufacturing in Nigeria. The result from this findings concur with the study conducted by Arisandi et al. (2022) result of the study indicated that internal control disclosure has significant relationship with financial reporting quality. Ajape et al. (2022) finding revealed that audit quality has a significantly positive effect on financial reporting quality (FRQ). It is concluded that audit quality significantly improves FRQ of listed companies in Nigeria. Ramadhan and Putri (2022) result showed that internal audit size has a positive and significant effect on audit quality as measure by earning management. Abubakar and Omwenga (2021) findings suggested that there is a significant effect of internal audit and fraud prevention on financial performance. Boubakary (2020) concludes from the results of his research that internal audit has a significant positive effect on improving Cameroon's financial performance. However, the following result disagreed with this study result. For instance, Orjinta and Ofor (2022) result indicates that internal audit has insignificant effect on financial reporting quality. Sembiring et al. (2022) result of the study indicates that partially the internal audit has a significant negative effect on the quality of financial reports.

### Audit Risk Assessment and Financial Reporting Quality

The results from the regression analysis on hypotheses two reveals a positive and significant relationship between audit risk assessment on the relevance of financial reports of listed consumer goods manufacturing in Nigeria. The findings from this research agree with the studies done by Abubakar and Omwenga (2021) concluded that there is a positive relationship between risk management and financial reporting of County Governments. Lamu. Apreku-Djan et al (2022) result revealed that annual risk-based planning has a significant positive effect on the value-based financial reporting quality of banks listed on the Ghana Stock Exchange. Nyakundi and Oluoch (2021) concluded that audit risk assessment had affected financial accountability of county government. It showed that audit risk assessment produce quarterly financial reports, audit risk assessment liaise internal auditors and external auditors. However, the following result disagreed with this study result. For instance, Ardi et al. (2021) result of study showed that effectiveness of internal audits negatively impacts the financial performance of insurance companies. Edosa and Monye-Emina (2022) finding indicated that internal audit in term of audit committee attributes did not have any significant relationship with timeliness of financial reporting.

### Internal Audit Independence and Financial Reporting Quality

The results from the regression analysis on hypotheses three reveals a positive and significant relationship between audit risk assessment on the relevance of financial reports of listed consumer goods manufacturing in Nigeria. This finding agreed with Abbott et al., 2016; Gros et al., 2017; Kabuey et al., 2017; Ogundana et al., 2017 of a positive relationship between internal audit independence and FRQ. However, the result contradicts the studies conducted by Johl et al. (2013) on the investigation of IAF organisational independence consisting of appointment, reporting line, budget, performance assessment, removal from office, and compensation on FRQ indicated a negative association between IAF organisational



independence and abnormal accruals measured as FRQ. In addition, Ogundana et al. (2017) showed a negative connection between internal auditor's organizational independence and the quality of accounting and financial information.

### **Audit Committee Interaction and Financial Reporting Quality**

The results from the regression analysis on hypotheses four reveals a positive and significant relationship between audit committee interaction on the relevance of financial reports of listed consumer goods manufacturing in Nigeria. This result concurs with the study conducted by Oyedokun et al (2020) that audit committee independence positively and significantly influences financial reporting quality of quoted consumer goods manufacturing firms in Nigeria. However, the result contradicts the studies of Almagtari, et al, (2020), Kibiya et al., (2016) of a negative and significant association between audit committee and financial reporting quality.

### **Audit Committee Interaction on Internal Audit Practices and Financial Reporting Quality**

The results from the regression analysis on the moderating role of audit committee interaction on internal audit practice and financial reporting quality revealed a positive and significant (0.0095; 0.0370; 0.03112 < 0.005) association of listed consumer goods manufacturing firms in Nigeria. Hence, audit committee moderates the relationship between internal audit practices and financial reporting quality of listed firms in Nigeria.

## **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

This study was carried out to empirically investigate the moderating role of audit committee interaction on the nexus between internal audit practices and financial reporting quality of consumer goods manufacturing firms in Nigeria. Based on the hypotheses tested, it was found that there exists a significant and positive relationship between internal audit practices and financial reporting quality of listed consumer goods manufacturing firms in Nigeria.

The researcher made several other discoveries which are summarized below:

1. There is a positive and significant relationship between internal controls and relevance of financial reports of listed consumer goods manufacturing firms in Nigeria;
2. There is a positive and significant relationship between internal audit risk assessment and relevance of financial reports of listed consumer goods manufacturing firms in Nigeria;
3. There is a positive and significant relationship between internal audit independence and relevance of financial reports of listed consumer goods manufacturing firms in Nigeria;
4. There is a positive and significant relationship between audit committee and relevance of financial reports of listed consumer goods manufacturing firms in Nigeria;





5. Audit committee interactions positively and significantly influence the relationship between internal audit practices and the quality of financial reports of listed consumer goods manufacturing firms in Nigeria.

Based on the summary of findings, this study generally concluded that audit committee interactions has moderating role on the nexus between internal audit practices and the quality financial reporting of consumer goods manufacturing firms in Nigeria. Consequently, in line with the findings and conclusion of the study, the study recommends as follows:

1. Consumer goods manufacturing in Nigeria should adopt the effective use of internal control since it has positive influence toward increase in financial reporting quality.
2. Internal audit departments of Consumer goods manufacturing firms should adopt and employment of internal control measures like segregation of duties, restricted access through using access passwords that are frequently changed in evaluating earning per share, this gives opportunity to professional to study, understand, and apply new development on auditing procedures and dissemination of relevant financial information which will enhance financial reporting quality.
3. The board of directors should therefore, ensure appointment of sufficient audit risk management committee members with adequate financial expertise in which shareholder should be included. This will enable them to perform their functions effectively through proper oversight function and create good atmosphere for audit risk committee report.
4. Consumer goods manufacturing firms in Nigeria should formulate policies to guide its internal audit function and practices by guiding the firms on selection and appointment of audit committee members. The regulations should be in guiding lines on managing of risks and setting up of internal control for improved performances.

This research has vital contributions. The study fills a gap in the existing literature on the relationship between audit committee, internal audit practice and financial reporting quality using evidence from a developing country like Nigeria. The findings support the agency theory suggesting that an audit committee moderates the relationship between internal audit practices and quality of financial reports.

Like any other study, this investigation has limitations, and we advise readers of this article to interpret our results with caution. Our study only focuses on listed consumer goods firms in Nigeria, which is a small sample. Future studies may be conducted in other sectors or other national settings with large samples. Further studies may also consider replicating or expanding this study in other settings while including more variables. In the presence of the above study limitations, we believe that this study results provide empirical evidence of the moderating role of audit committee on the association between internal audit practice and quality of financial reports of listed consumer goods firms using evidence from an African country.



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