



## INTERNAL AUDIT PRACTICES AND QUALITY OF FINANCIAL REPORTS OF LISTED CONSUMER GOODS MANUFACTURING FIRMS IN NIGERIA

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**ABSTRACT:** *The quality of financial reporting has remained an issue of significant concern among professional accountants, 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 that end, this study investigated the relationship between internal audit practices and financial reporting quality of consumer goods manufacturing in Nigeria. The research design used in this study was descriptive survey. The targeted population of this study consists of all the twenty-one (21) listed consumer goods manufacturing firms in the Nigerian Exchange Group (NGX) with a respondent total of two hundred and ninety (290). The sample size of the study consists of ten (10) consumer goods manufacturing firms that have branches in South-South, Nigeria using purposive sampling technique. The study employed primary data sourced from questionnaires administered to the respondents and two hundred and fifty-one (251) representing a response rate of 86.6% was used as sample size for the study. The study used content validity and Cronbach alpha reliability test was used to determine the statistical reliability of the instrument. Descriptive statistics such as frequencies, percentages, means, and standard deviations and spearman rank correlation were used in data analysis. Findings indicated that a positive and significant relationship between internal audit control mechanisms and timeliness of financial reports, a positive and significant relationship between internal audit risk management and timeliness of financial reports, and a positive and significant relationship between management support and timeliness of financial reports of consumer goods manufacturing firms in Nigeria. Based on the findings, this study concluded that, internal audit practices positively and significantly influence financial reporting quality of consumer goods manufacturing firms in Nigeria. The study recommended amongst others that consumer goods manufacturing firms in Nigeria should adopt the effective use of internal audit activities since it has positive and significant influence towards an improvement in financial reporting quality.*

**KEYWORDS:** Internal Audit, Control Mechanisms, Risk Management, Management Support, Timeliness



## INTRODUCTION

The quality of financial reporting has remained an issue of significant concern among professional accountants, 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 the outsiders. Financial reporting is the process by which corporate entities provide interested users with information on their transactions during an accounting period (Kabiru & Usman., 2021). The users need quality financial reports for economic decision making. It enables them to use such information in assessing the economic performance and conditions of a business as well as a guide in making economic decisions. Hence, every user of financial information expects that such information will assist him in gauging the health status of the reporting entity and in making informed 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 the auditor in the form of an opinion. The auditor's responsibility lies in the opinion issued, while management's responsibility is the preparation and presentation of financial reports fairly by following the Indonesian Financial Accounting 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.

The internal audit practice (IAP) provides stakeholders with information on a range of important issues and play a vital role in monitoring the risk profile of an organization (Nwaobia et al, 2016). 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. 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 an economic unit (Oyewumi et al., 2016). The view of internal audit practice from a global perspective stressing that internal audit is necessity and adds value to the organization. Poltak et al. (2019) observed that the effectiveness of internal audits as a control function for management in achieving the goals and targets of the organization. Hence IAP is expected to enhance the value relevance of any establishment's published financial information, which will eventually trigger the organizational financial performance.

In the research on internal audit and financial reporting quality, there are several prior studies whose results are inconsistent. Studies by Dare et al (2021), Seini and James (2021), Baha et al (2019) showed that there exists a significant positive effect of internal audit practices on firm's performance in Nigeria. However, studies by Olayinka (2019) and Kayode (2015) showed an insignificant negative effect of the internal audit practices on firm's performance in Nigeria. Deyganto (2019) showed from his research that independence of internal audit, competence of internal audit staff, management support, and the formal mandate of internal audit had a positive and significant effect on organizational performance. Meanwhile, other independent variables, namely objectivity, internal audit standards, competent leadership, and unrestricted access to audit evidence have no effect on organizational performance. Ajape et al. (2022) stated 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. Arisandi et al. (2022) study indicated that internal control disclosure significantly related to financial reporting quality. 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 together. Hence, this study seeks to fill the research Gap by investigating the relationship between internal audit practices and financial reporting quality of consumer goods manufacturing firms in Nigeria. The specific objectives are as follows:

1. To investigate the relationship between internal audit control mechanisms and timeliness of financial reports of consumer goods manufacturing firms in Nigeria;
2. To investigate the relationship between internal audit management support and timeliness financial reports of consumer goods manufacturing firms in Nigeria;
3. To investigate the relationship between internal audit risk management and timeliness of financial reports of consumer goods manufacturing firms in Nigeria.

The study was guided by the following research questions:

1. What is the relationship between internal audit control mechanisms and timeliness of financial reports of listed consumer goods manufacturing firms in Nigeria?
2. What is the relationship between internal audit management support and timeliness of financial reports of listed consumer goods manufacturing firms in Nigeria?
3. What is the relationship between internal audit risk management and timeliness of financial reports of listed consumer goods manufacturing firms in Nigeria?

The following null hypotheses were tested in this study:

**H<sub>01</sub>:** Internal audit control mechanisms does not positively and significantly affect the timeliness of financial reports of listed consumer goods manufacturing firms in Nigeria.

**H<sub>02</sub>:** Internal audit management support does not positively and significantly affect the timeliness of financial reports of listed consumer goods manufacturing firms in Nigeria.

**H<sub>03</sub>:** Internal audit risk management does not positively and significantly affect the timeliness of financial reports of listed consumer goods manufacturing firms in Nigeria.



## LITERATURE REVIEW

### Conceptual Review

#### Internal Audit Practices

Sishumba et al (2022) defined internal audit as a process that involves evaluating and analysing the internal controls of a company by making sure the entity complies with laws and regulations. The author further stated that internal audit is also responsible for evaluating and improving the corporate governance and accounting processes of the organisation to make sure that there is timely and effective data collection and accurate financial reporting. Appah (2017) opined that internal audits also give management the tools needed to improve operational efficiency by detecting problems and fixing gaps before an external audit reports. Afolabi and Olukoya (2019) defined internal audit practice as the examination of the financial report of an organization as represented in the annual report by someone independent (internal Auditor) in the organization. Kalufya and Nyello (2021) viewed internal audit as significant part of internal control which involves oversight undertakings by the audit committee and the panel of executives to ensure that financial reporting practice is sound and up to the mark. The practice of internal auditing has received increasing demand from firm all over the world because of the need to institute an independent verification while trying to minimize errors in book keeping, reduce misappropriation of company assets and business frauds. Several large firms across the globe have appreciated that, it is not possible to run business without being audited which has now been made as the central part of every organization. Internal audit is a management function whose job is to ensure that other management functions are running as they should (Mochamad et al, 2021).

**Control Mechanisms:** Control refers to the measures instituted by an organization to ensure attainment of the entity's objectives, goals and missions. They are a set of policies and procedures adopted by an entity in ensuring that an organization's transactions are processed in the appropriate manner to avoid waste, theft and misuse of organization resources. 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 finally the conformance of appropriate rules that safeguards the corporate reputations (Okoro & Orlu, 2021). Ofei (2020) defined control mechanisms 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.

**Audit Risk Management:** Risk and risk management have become common features of an organization in both private and public sectors. Risk management has been an important aspect of sound corporate governance practice in recent years. Risk Management refers to the process of identifying loss exposures faced by an organization and selecting the most appropriate techniques for treating these particular exposures effectively (Odunko, 2022). An audit risk assessment is a selected number of members of a company's board of directors whose responsibilities include helping auditors remain independent of management. Most audit risk assessments are made up of three to five or sometimes as many as seven directors who are not a part of company management (Nyakundi & Oluoch, 2021). Internal audit ensures that risks



are properly managed, while management is responsible for identifying and managing risks (Appah, 2017).

**Management Support:** Management support has been widely established as influencing internal audit effectiveness. For example Della and Omri, (2016) argued that top management support is crucial to the acceptance and appreciation of the IAF within an organization. Also, Cohen and Sayag (2010) studied effectiveness of internal auditing in Israeli organization using questionnaire and mail survey of 292 organizations and identified management support, especially in relation to provision of proficient internal audit staff, career development and independence of internal auditors as vital to the effectiveness of internal audit. In another study, Bello et al., (2018), examined the moderating effects of top management support in the relationship between internal quality dimensions and organizational performance in Nigerian federal universities and found interaction of internal audit competence, internal audit independence, and internal audit size, with top management support significantly and positively influencing organization performance of Nigerian federal universities. Independence of auditors either internal or external is mostly linked to freedom from dependence on, or influence or control by, another person, organization, or state (Appah, 2017).

### **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 timeliness of financial reports. Timeliness refers to the time expectation for accessibility and availability of information. Timeliness can be measured as the time between when information is expected and when it is readily available for use. When assessing the quality of reporting in an annual report, timeliness is evaluated using the period between the year-end and the issuing date of the auditor's report the period of days it took for the auditor to sign the report after the financial year-end. Aifuwa et al (2018) argued that timeliness increases the quality of financial reporting as it ensures that the information provided is available to decision makers before it loses its positive impacts. According to the latter, it is estimated as the difference between the end of the year and the date of issue of the auditor's report.

### **Agency Theory**

The agency theory was popularized by Jensen and Meckling (1976). This theory was established because of the connection that comes between principal and another party called the agent. Kiplangat and Theuri (2021). It gives an overview of a relationship where one party is given a responsibility to act diligently on behalf of another party; the two come together when one accept to act on behalf of the other and promise that the transactions that will take place benefits the party called principal. Nancy (2013) went further in explaining the agency theory, is concerned with resolving problems that can exist in relationship that is between principals (such as shareholders) and agent of the principals (example, company Executives).



It state that audited financial statement can enhance shareholder's faith in management stewardship. Egolum et al (2021) recommended establishing oversight committees including audit committee for the auditing of financial statements and appointment of directors which are supported by agency theory. It considered board committees which provides an additional control mechanism for increased accountability; thereby enhances the assurance that the interests of the shareholders were being safeguarded. The internal audit department makes sure that management are checked on how they operate and whether they stick to the objective of the principal and other parties having interest in the organization; this theory is applied in the current study in order to give wider view on internal audit practice in organisations. This study was anchored to Agency theory because it provide for richer and more meaningful research in internal audit practice. Agency theory may not only help to explain the existence of internal audit department in an organization but can also serve as a tool used to explain the characteristics of the internal audit department for example, its size and scope of activities such as financial versus operational. Agency theory can be employed to test empirically whether cross sectional practice between internal auditing practices reflect the different contracting relationships emanating from difference in organization form.

### **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.

Sembiring 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 m 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 **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	Control Mechanisms	5	.830



	Audit Risk Assessment	5	.810
	Management Support	5	876
Financial Reporting Quality	Timeliness	5	.913

Source: SPSS Output, 2024

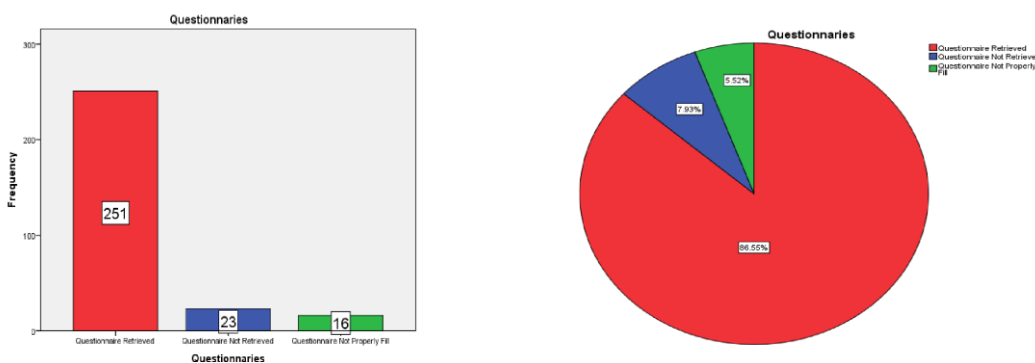
**Data Analysis Technique:** The data obtained from the administered questionnaires were analysed using univariate and bivariate analysis.

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)

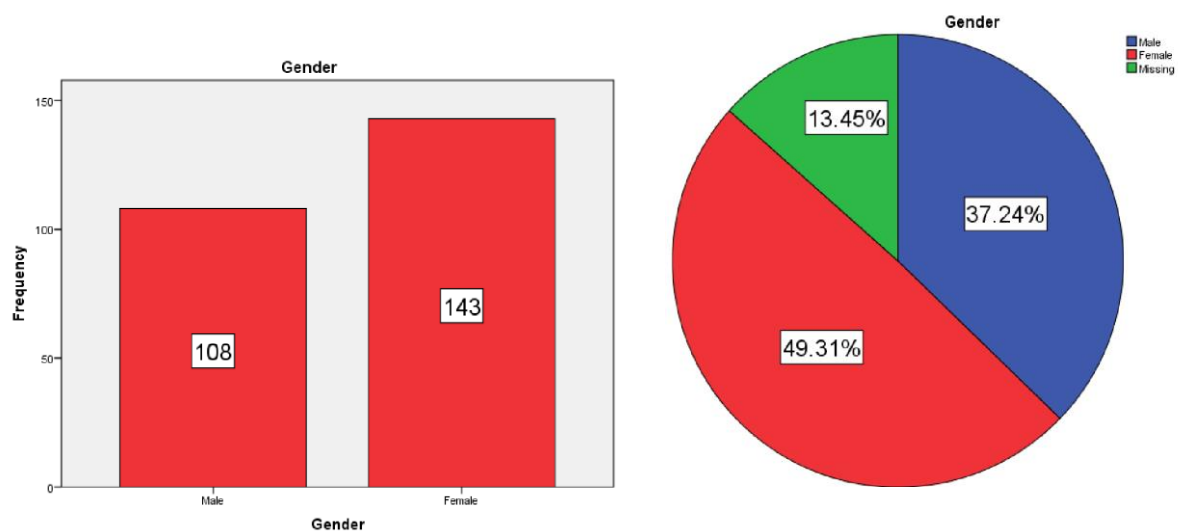
Table 2, Bar chart and Pie chart showed that, the researchers distributed a total of two hundred and ninety (290) questionnaires to ten (10) consumer manufacturing firms in Nigeria, out of these, two hundred and fifty-one (251) respondents representing 86.6% completed the questionnaires correctly and 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
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
Valid 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	
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Source: Field Survey (2024) Via SPSS Output

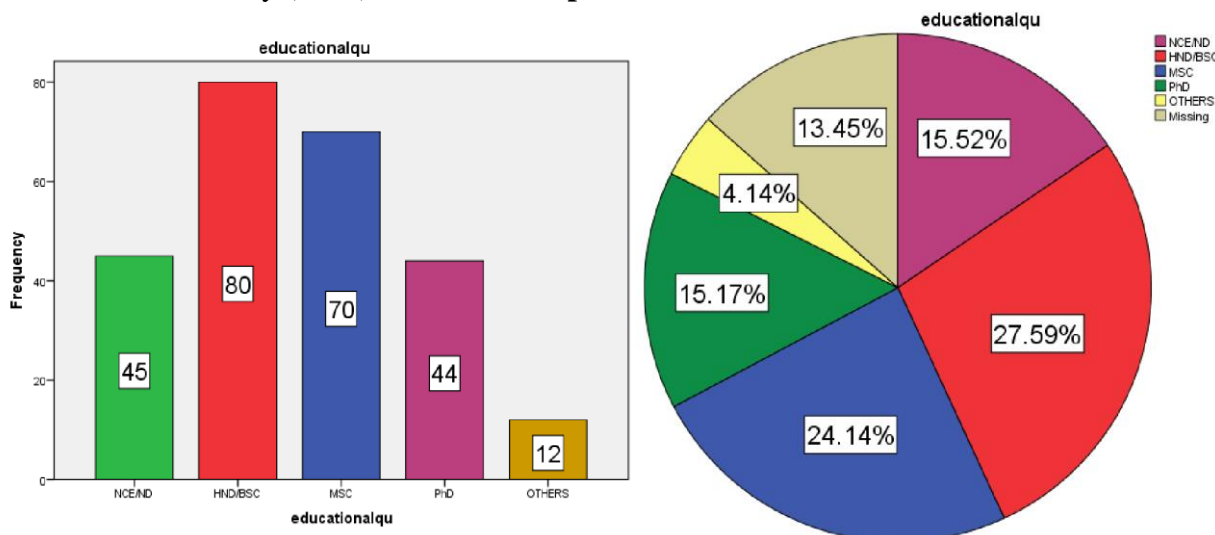


Figure 3: Educational Level Distribution

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 there 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 came from question 2 statements that internal controls in relationship to financial reporting quality, the highest standard deviation of 1.3649 from question 3 statements. This implied that internal controls endeavor to meet the set goals/objectives about 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		
		82	86	24	48	11	251	3.7171	1.2278



4	The audit risk assessment conduct annual appraisals of internal audit practices in our organization	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 came from question 5 statements that audit risk assessment in relationship to financial reporting quality, the highest standard deviation of 1.3154 came question 1 statements about audit risk assessment. This implied that audit risk assessment endeavor to meet the set goals/objectives about financial reporting quality of consumer goods manufacturing in Nigeria.

**Table 7 Items and Scores on Management Support**

S/ N		SA	A	M A	D	S D	Total	Mean	Std D
1	The management provide an access to financial year report	89	50	43	41	28	251	3.521	1.400
		35.5	19.9	17.1	16.3	11.2	100		
2	The audit department provides management with assurance that there are no major weaknesses	125	52	30	35	9	251	3.992	1.2263
		49.8	20.7	12.0	13.9	3.6	100		
3	The management have adequate number of staff in the audit department	92	86	26	46	1	251	3.884	1.1093
		36.7	34.3	10.4	18.3	.4	100		
4	The management implements all audit recommendation	116	48	37	41	9	251	3.880	1.2560
		46.2	19.1	14.7	16.3	3.6	100		
5	The success of internal auditing function will depend on the strength of management	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 89(35.5%) and 50(19.9%) of the respondents strongly agreed and agreed that the management provide an access to financial year report (Q1), in Q2, majority of respondents 125(49.8%) and 52(20.7%) strongly agreed and agreed that the audit department provides management with assurance that there are no major weaknesses 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 the management have adequate number of staff in the audit department (Q4). in Q5 88(35.1%) and 87(34.7%) of the respondents strongly agreed and agreed that the success of internal auditing function will depend on the strength of management. Furthermore, the result indicated that, strongly agreed and agreed had the highest response rate about management support. The highest Mean value of 3.992 came from question 5 statements that management support in relationship to financial reporting quality, the highest standard deviation of 1.400 came question 1 statements about management support. This implied that management support endeavor to meet the set goals/objectives about financial reporting quality of consumer goods manufacturing in Nigeria.

**Table 8 Items and Scores on Timeliness**

S/ N		SA	A	M A	D	S D	Total	Mean	Std D
1	Delay in the presentation of company annul reports affect financial reporting quality	88	56	45	45	17	251	3.609	1.3080
		35.1	22.3	17.9	17.9	6.8	100		
2	Timeliness presentation of financial report increase financial reporting quality	104	51	39	41	16	251	3.7410	1.3178
		41.4	20.3	15.5	16.3	6.4	100		
3	Timeliness presentation of financial report improve internal audit	109	57	30	29	26	251	3.7729	1.3799
		43.4	22.7	12.0	11.6	10.4	100		
4	Timeliness presentation of financial reports enhance investors	74	82	45	36	14	251	3.6614	1.2003
		29.5	32.7	17.9	14.3	5.6	100		
5	Auditor reports affect timeliness financial reporting quality	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 8 shows that majority 88(35.1%) and 56(22.3%) of the respondents strongly agreed and agreed that delay in the presentation of company annul reports affect financial reporting quality (Q1), in Q2, majority of respondents 104(41.4%) and 51(20.3%) strongly agreed and agreed that timeliness presentation of financial report increase financial reporting quality . Furthermore, majority of the respondents 74(29.5%) and 82(32.7%) strongly agreed and agreed that timeliness presentation of financial reports enhance investors (Q4). in Q5 47(29.9%) and 69(18.7%) of the respondents strongly agreed and agreed that auditor reports affect timeliness financial reporting quality auditor reports affect timeliness financial reporting quality.



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 implied that timeliness endeavor to meet the set goals/objectives about internal audit practices of consumer goods manufacturing in Nigeria.

**Table 9 Correlations Matrix of Hypotheses One**

		IC	TIMEL
Spearman's rho	IC		
	Correlation Coefficient	1.000	.795**
	Sig. (2-tailed)	.	.000
	N	251	251
	TIMEL		
	Correlation Coefficient	.795**	1.000
	Sig. (2-tailed)	.000	.
	N	251	251

Source: Field Survey (2024)

Note: IC = Internal Control, TIMEL = Timeliness

**Decision 1:** The results in table 9 revealed a Pearson Correlation Coefficient (rho) of R-value (0.795\*\*) which illustrated a strong positive relationship between controls mechanisms and timeliness of consumer goods manufacturing in Nigeria with a significance P-value  $0.000 < 0.005$  chosen alpha level. Thus, the significance value is less than the chosen alpha level; therefore the null hypothesis one ( $H_{01}$ ) is rejected and the alternate hypothesis one ( $H_{a1}$ ) is accepted. Therefore, the researcher concludes internal audit control mechanisms does positively and significantly affect the timeliness of financial reports listed consumer goods manufacturing firms in Nigeria.

**Table 10 Correlations Matrix of Hypotheses two**

		ARM	TIMEL
Spearman's rho	ARM		
	Correlation Coefficient	1.000	.692**
	Sig. (2-tailed)	.	.000
	N	251	251
	TIMEL		
	Correlation Coefficient	.692**	1.000
	Sig. (2-tailed)	.000	.
	N	251	251

Source: Field Survey (2024)

Note: ARM = Audit Risk Management, TIMEL = Timeliness





**Decision 3:** The results in table 10 revealed a Pearson Correlation Coefficient (rho) of R-value (0.692\*\*) which illustrated a strong positive relationship between audit risk management and timeliness of of consumer goods manufacturing in South-South, Nigeria with a significance P-value  $0.000 < 0.005$  chosen alpha level. Thus, the significance value is less than the chosen alpha level; therefore the null hypothesis two ( $H_{02}$ ) is rejected and the alternate hypothesis two ( $H_{a2}$ ) is accepted. Therefore, the researcher concludes that internal audit risk management does positively and significantly affect the timeliness of financial reports of listed consumer goods manufacturing firms in Nigeria.

**Table 11 Correlations Matrix of Hypotheses three**

		MS	TIMEL
Spearman's rho	MS	Correlation Coefficient	1.000
		Sig. (2-tailed)	.910**
		N	.000
	TIMEL	Correlation Coefficient	.910**
		Sig. (2-tailed)	1.000
		N	.000
		N	251

Source: Field Survey (2023)

**Note: MS = Management Support, TIMEL = Timeliness**

The results in table 11 revealed a Pearson Correlation Coefficient (rho) of R-value (0.910\*\*) which illustrated a very strong positive relationship between management support and timeliness of consumer goods manufacturing in South-South, Nigeria with a significance P-value  $0.000 < 0.005$  chosen alpha level. Thus, the significance value is less than the chosen alpha level; therefore the null hypothesis three ( $H_{03}$ ) is rejected and the alternate hypothesis three ( $H_{a3}$ ) is accepted. Therefore, the researcher concludes that management support does positively and significantly affect the timeliness of financial reports of listed consumer goods manufacturing firms in Nigeria.

## SUMMARY OF RESULT FINDINGS

**Table 12 Result Summary of Hypotheses Analyses**

S/N	Statement of Hypotheses	R-Values	R-Decision	P-values	Sig At 0.05	P-Decision
Ho <sub>1</sub>	Internal audit control mechanisms does not positively and significantly affect the timeliness of financial	0.795	Strong Positive	0.000	Rejected	significant



	reports listed consumer goods manufacturing firms in Nigeria.		Relationship			
Ho <sub>2</sub>	Internal audit risk management does not positively and significantly affect the timeliness of financial reports of listed consumer goods manufacturing firms in Nigeria.	0.692	Strong Positive Relationship	0.000	Rejected	significant
Ho <sub>3</sub>	Internal audit management support does not positively and significantly affect the timeliness of financial reports of listed consumer goods manufacturing firms in Nigeria.	0.910	Very Strong Positive Relationship	0.000	Rejected	significant

**Source: Compiled by Researcher (2024)**

### **Internal Audit Control Mechanisms and Timeliness of Financial Reports**

The test of hypotheses one (H<sub>01</sub>), found that there is a strong positive relationship between internal audit control mechanisms and timeliness as shown in table 9 with the correlation coefficient value of  $R = 0.795^{**}$  with a corresponding significant probability value (PV) of  $0.000 < 0.05$  level of significance. Hence, the researcher concludes that internal audit control mechanisms does positively and significantly affect the timeliness of financial reports listed consumer goods manufacturing firms in Nigeria. This finding is in line with the studies of the following; 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. 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 Management and Timeliness of Financial Reports**

The test of hypotheses two (H<sub>02</sub>), found that there is a strong positive relationship between audit risk management and timeliness as shown in table 10 with the correlation coefficient value of  $R = 0.692^{**}$  with a corresponding significant probability value (PV) of  $0.000 < 0.05$  level of significance. Hence, the researcher concludes that the relationship between audit risk management does positively and significantly affect the timeliness of financial reports listed consumer goods manufacturing firms in Nigeria. This finding is consistent with the studies of the following; Abubakar and Omwenga (2021) concluded that there is a positive relationship between risk management and financial reporting of County Governments. 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, 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.

### **Management Support and Timeliness of Financial Reports**

The test of hypotheses three (H<sub>03</sub>), found that there is a very strong positive relationship between management support and timeliness as shown in table 11 with the correlation coefficient value of  $R = 0.910^{**}$  with a corresponding significant probability value (PV) of  $0.000 < 0.05$  level of significance. Hence, the researcher concludes that the relationship between internal audit management support does positively and significantly affect the timeliness of financial reports of listed consumer goods manufacturing firms in Nigeria. This finding is consistent with the studies of the following; Angmor and Diaboh (2022) result showed that there was a favorable and significant correlation between management support and the auditors' competence and independence. And they stated that management support is critical functions of internal auditing for banks to improve their financial gains. Ali et al (2021) who result showed that there is a significant relationship between management support for internal audit and organizational performance. Ziniyel et al. (2018) concludes from the results of his research that internal auditors in term of management assistance were identified as significant determinants of financial performance. However, the following result disagreed with this study result. For instance, 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. 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. Orjinta and Ofor (2022) result indicates that internal audit has insignificant effect on financial reporting quality.

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

This study was carried out to empirically investigate the relationship between internal audit practices and financial reporting quality of consumer goods manufacturing firms in Nigeria. Based on the hypotheses tested, the study found as follows:

1. internal audit control mechanisms does positively and significantly affect the timeliness of financial reports listed consumer goods manufacturing firms in Nigeria.
2. internal audit risk management does positively and significantly affect the timeliness of financial reports listed consumer goods manufacturing firms in Nigeria.
3. internal audit management support does positively and significantly affect the timeliness of financial reports listed consumer goods manufacturing firms in Nigeria.

Based on the summary of findings, this study generally concluded that, internal audit practices positively and significantly influence the financial reporting quality of consumer goods manufacturing firms in Nigeria. However, other sub-conclusions based on the study variables findings as followed;

1. internal audit control mechanisms positively and significantly influence the timeliness of financial reports listed consumer goods manufacturing firms in Nigeria.



2. internal audit risk management positively and significantly influence the timeliness of financial reports listed consumer goods manufacturing firms in Nigeria.
3. internal audit management support does positively and significantly influence the timeliness of financial reports listed consumer goods manufacturing firms in Nigeria.

Based on the findings and conclusions, the study made the following recommendations:

1. Consumer goods manufacturing firms in Nigeria should adopt the effective use of internal audit control mechanisms since it has positive influence toward increase in financial reporting quality.
2. Internal audit units 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. 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 functional audit committee members as a means of supporting management in the effective and efficient operation of the firm.

This work has contributed to knowledge by closing the knowledge gap surrounding the relationship between internal audit practices and financial reporting quality of consumer goods manufacturing in Nigeria. The contributions include:

1. Prior to this study, the implication of this study's findings and conclusions is such that internal audit practice aspects of control mechanisms, management support and audit risk management resulted in improved financial reporting quality of consumer goods manufacturing in Nigeria.
2. Second, to diminish the possible risks and to improve the quality of internal audit, internal control as well as management support, it is suggested to promote the application of IT in accounting activities to meet the provisions of the law in general and associated with improving the accounting quality in particular as we can trace the originality for reported data/information.
3. Third, to improve the financial reporting quality, the leaders of consumer goods manufacturing firms should encourage their accountants to raise their awareness of professional ethical standards for accounting and auditing as well as their sense of responsibility, integrity, and accountability. Accountants and auditors in consumer goods manufacturing firms should participate in the preparation and reporting of information including either financial or management information that may be revealed to the community or used by other parties relating to their firms. Therefore, the reports must be well prepared or presented to provide truthful, timeliness relevance and reasonable information in accordance with professional standards and legal regulations. Specifically,



such financial statements must be prepared and presented in accordance with applicable legal standards and relevant regulations. Accountants must always follow the basic principles of professional ethics, integrity, and accountability, i.e., professional accountants is expected to be candid and authentic in their relationships and/or transactions.

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