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Internal Audit and Financial Performance of Selected Manufacturing Industries in the Consumer-Goods Sector Listed on the Nigerian Stock Exchange

Peace E. Kolawole[1], James Dairo[2], Priscilla A. Jacob[3]&Olateju D. Aregbesola[4]
[1,2&4](Accounting Programme, Bowen University, Iwo, Osun State. Nigeria)
[3](Library and Information Science Department, University of Ilorin, Nigeria)

Abstract:
Background*: The current instability of the Nation's economy has made the manufacturing sector to often experience shocks and distresses, which could be managed if the internal audit unit of such firms are engaging. This makes it crucial to examine how good internal audit indicators such as independence and professional competency of internal auditors; together with the internal control system influence the financial performance of quoted manufacturing industries in Nigeria. Thus, this study aimed at investigating the effect of internal audit on the financial performance of some manufacturing industries in the consumer-goods sector quoted on the Nigerian Stock Exchange.*
Materials and Methods*: The study employed a descriptive research approach. Ten (10) industries in the consumer-goods sector were randomly selected for the study while secondary data was used to gather information from their published financial statements for the period 2008-2017. The researchers adopted a panel data. Descriptive analysis was done using mean, median and standard deviation while inferential analysis was carried out using multiple regression analysis.*
Results: *The study found that internal audit had significant influence on the financial performance of quoted manufacturing industries in Nigeria. Professional competency of internal auditors and the internal control system showed positive and significant influence while independence of internal auditor had significant but negative influence on the financial performance of the manufacturing industries.*
Conclusion:The findings suggest the need for good interrelationship between internal auditors' independence and financial performance so that firms can immensely benefit from the internal audit*. Continuous training, seminars and workshops are recommended for internal auditors in order to improve their professional competence. This study contributes to practice, advocating for an effective internal audit system to be put in place by management of quoted manufacturing industries in order to achieve high financial performance.*
Key Words*:Internal Audit, Financial Performance, Consumer-Goods Sector, Manufacturing Industry*

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I. Introduction

Internal auditing is an indispensable tool globally used to aid the improvement of the financial performance of manufacturing industries. Internal auditing is an independent appraisal of the function and extent of performance of an organisation for the review of the accounting records and operations which serves as basis for protective and constructive services to management. Internal audit is crucial because it assists a firm in reaching her targets by incorporating a systematic, tailored approached in ascertaining and enhancing the effectiveness of risk management and control[12.1]An internal auditor's role can be obtained within the organisation or outside; stating that quality services can be achieved through outsourcing. Internal audit also reviews systems in order to ascertain policies, plans, procedures, rules and regulations are adhered to. The unit is expected to provide a report on a firm's compliance status. It is important to note that the internal audit is an element of the internal control system set up by management to examine and endorse that the accounting operations of an organisation is carried out by a professional, often known as the "internal auditor". The responsibility of the internal auditor is therefore to show the degree to which a firm's accounting system functions; together with the assessment of this system performance in terms of its efficiency and effectiveness[44].

The effectiveness and efficiency of the internal audit have to be measured separately, as there is the possibility that the audit is effective but not efficient, and vice versa[45]. Internal audit also measures the efficiency and effectiveness of other controls put in place by the management to bring about smooth administration, cost minimisation, ensure capacity utilisation and maximum benefit derivation[46]. The internal audit department is thus, very important in every manufacturing industry, based on its duty to control the system

or organisation from within, that is, internal control. Internal audit is unarguably seen as the key element in the use of all accounting systems and helps in evaluating the works of the industry. The internal audit department is a significant part of the corporate governance structure as it carries out examination of both the company's financial statements and accounting records, as well as adherence to government regulations and provisions of applicable professional ties[38]. The internal audit department must also exercise professional competence in its relationship with the quality of accounting information. [6]"Competence isthe knowledge and skills needed to carry out tasks that define an individual's job. The efficiency of the internal audit department helps develop the work of the company because the financial reports reflect the internal audit department's quality". Specifically, the study's objectives are to examine the relationships that exist between Internal Auditors' Independence (IAI), Professional Competency (PC), Internal Control System (ICS) and Financial Performance of the Manufacturing Industries (FPOM); considering Return on Assets (ROA) and Return on Equity (ROE) as major underlying factors of an organization or firm's performance (FPOM). This study therefore investigates the effect of internal audit on the financial performance of selected Manufacturing Industries in the consumer-goods sector listed on the Nigeria Stock Exchange.

II. Literature Review

The Institute of Internal Auditors (IIA) issued an International Professional Practices Framework (IPPF) which includes: the definition of internal auditing, code of ethics, international standards for the professional practice of internal auditing, position papers, practice advisories, and practice guide[42,43]. The IPPF Standard states that internal auditing is performed in diverse legal and cultural environments; for organisation that vary in purpose, size, complexity, and structure; and by persons within the organisation[23]. In the IPPF, the standards particularly serve as guidance for internal auditors worldwide to perform internal auditing activities in a professional way[47]. Internal auditing as an independent, objective assurance and consulting activity intends to add value and improve an organisation's operations. Internal auditing assists anorganisation in accomplishing set objectives by using a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes[42]. The audit consists of checking and certifying the financial statements by an independent expert to provide accuracy of data contained therein and to provide users with the information on principles and accounting presentation of financial statements accurate picture and clear and complete financial position and performance of the company[16]. Internal auditing therefore aims at adding value to the organisation by improving the information quality for decision making[10]. Internal audit helps in avoiding either the involuntary or the intentional release of information concerning any form of useful first hand stock as well as the avoidance of loss of income from misuse or from any errors in operation[36]. Since it is clear that the internal audit department is the security belt of any manufacturing industry, its descriptions which include the independent and objective nature of the internal auditing activities and the professional competency of the internal auditors are pointers of an organisation's financial performance.

Financial Performance

The financial performance (FPOM) of a firm is its ability to manage and control her resources. FPOM is measured by analyzing financial statements using financial ratios. The four major groupings of financial ratios include: the liquidity ratios, profitability ratios, solvency ratios and activity ratios. The management use the results obtained as a performance yardstick either to improve their performance or to determine matters relating to appraisal or dissappraisal[20,30]. Since the main purpose of firms is to make profit; the study adopted these two profitability ratios: Returns on Equity (ROE) and Returns on Assets (ROA) as measurements of financial performance as they provide a good picture of the financial healthiness of an organization[39]. ROA, many a times, is used as a profitability ratio which measures the net income produced by total assets over a given period. ROA relates net income to average total assets. ROA has previously been used in the literature to measure financial performance.[30,35]

The formula for calculating ROA is given as:

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Average Total Assets}}$$

ROA is increasingly being applied in measuring how efficient an organization can generate incomes or profits by using its assets which may include plant and machineries, offices, motor vehicles, receivables and inventories; among others. The ratio can help managers and supporters to evaluate how well a firm transforms her investments in the form of assets into revenues or profits, to achieve a higher ratio of net income/profits over her assets.

Similarly, the Returns of Equity (ROE) being a profitability ratio, also measures the profitability of a firm vis-à-vis her shareholders'equity for a given period.

The formula for calculating ROE is given as:

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Shareholders' Equity}}$$

Since Shareholders' equity is Company assets less her debts; ROE can therefore be viewed as Return on Net Assets.

Internal Control System

The Institute of Internal Auditors (IIA) Statement of Internal Auditing Standard No.1 described control as a managements' act to ensure that the established goals and objectives of the manufacturing industries are achieved. The Institute of Chartered Accountants in England and Wales (ICAEW) statement of Auditing explains that internal controls in addition to internal check and audit also does the whole system control[17]. Internal control systems (ICS) are measures instituted by an organization to ensure attainment of their objectives, goals and missions. These include the set of policies and procedures adopted by an organization in ensuring that their transactions are processed in the appropriate manner to avoid waste, theft and misuse of organization resources.[32]Literature shows a positive link between internal control and meaningful audit[3,5,17]; and also, between internal control and performance[27]. [17]Moreover, it was discovered that internal audit is one of the controls put in place in organisations. The authors further note that measures of financial performance include Return on Assets (ROA), Return on Equity (ROE), and Return on Sales (ROS). [7]A positive link was observed to exist between effective internal control system and financial reporting.

Independence of Internal Auditors and Financial Performance

The independence of the internal audit department is regarded as one of the most important criteria that influences internal audit services[13]. The concept of independence is generally used to mean the ability of the auditor to be fair and objective in his or her review. The IIA's Standards for Professional Practice of Internal Auditing defines independence of internal auditors as the freedom from circumstances that compromise objectivity or its appearance. Such threats to objectivity are expected to be managed at the individual auditor engagement, functional and organizational levels.[2]The internal auditors in practical manner cannot be independent from management but the independence has to do with the mental attitude of the internal auditor. [2]An atmosphere that allows for objective and unconstrained appraisal and reporting of findings without influence from the management helps the internal auditor in providing effective internal audit service. The strength of an internal audit department is assessed based on the level of internal audit independence from increases in the internal auditor's effectiveness; since this independence may reduce the level of conflict between loyalty to the employer and loyalty to specific managers. Thus, it is essential that internal auditors are sufficiently independent of the company in order to conduct their work objectively and without interference[14].

In determining whether audit committee independence can serve as proxy for internal audit independence, [40]the relationship between independence of internal audit and audit committee is one of the issues that can influence the independence and objectivity of internal audit. [19]A strong relationship between the audit committee and the internal audit function which occurred especially when the audit committee constitutes mainly independent directors was noted in another study. [18]Independence and accounting experience have a harmonizing impression on audit committee relations with internal audit. [22]However, independent audit committee negatively affects the Internal Audit Quality because the giving of attention on the make-up of the Audit Committee (AC) disregarded the important elements necessary for an operative Audit Committee. [4]Nonetheless, internal audit ascertainsthe reliability, reality, and integrity of financial and operational information emanating from variousunits in the organisation.The independence of the internal auditors is thusmeasuredin this study by the percentage of the non-executive directors to the total number of directors in the audit committee. It is assumed that if the audit committee comprises of more non-executive directors, it would enhance the independence of the internal auditors of such organisation.

Professional Competency of Internal Auditors

The professional competency (PC) of internal auditors is important in promoting good governance and ensuring effective utilization of manufacturing industries resources. The uniqueness of internal auditor's competency is fostered by ensuring internal auditor's independence, expertise, integrity and diligence to carry out their duties effectively.[25]

[29]Being professionally incompetent and failing to observe due care in the performance of one's duties are frowned upon; auditors must therefore maintain professional knowledge and skills at the level required to ensure clients and employers receive diligent services and act in accordance with professional and accounting

standards. [28]Experience is alsoa vital tool in enhancing auditor's knowledge. [9]Years of experience are pointersto auditors' knowledge and expertise. Internal auditors therefore require a wide range of proficiencies to achieve satisfactory performance in the various hierarchical positions within internal audit departments[11].Proficiency, otherwise known as Competence,requires knowledge and professionalism obtained from education, on-the-job training, and experience; which either positively or negatively affects the financial performance of manufacturing organizations.

Based on the foregoing discussion, the research hypotheses were formulated thus:
$H_0$1: Internal Auditors' Independence, Professional competency and Internal Control System do not have significant effect on Return on Assets.
$H_0$2: Internal Auditors' Independence, Professional competency and Internal Control System do not have significanteffect on Return on Equity.
$H_0$3:Internal Auditors' Independence, Professional competency and Internal Control System do not have significanteffect on the Financial Performance (Aggregated) of quoted manufacturing industries in the consumer-goodssector.

Theoretical Framework

The Agency and Stewardship theories were adopted to guide this study.Agency theory helps in resolving problems which occur in agency relationships. It deals with the conflict of interest between the agents and the principal especially when their perception of risk differs. One of the issues which this disparity might cause is a shift from Shareholders' Wealth Maximisation to pursuing the agent's own interest. Agency theory therefore does not only provide a basis for internal audit but also brings forth indicators of a good internal audit system which enhances financial performance. The agency relationship is such which subsists between the owner(s) of a firm, and the agent, with the right to make decisions delegated to the latter[30]. In this form of business relationship, stakeholders look forward to seeing the profitability of the business and how their investment will be maximised. On the other hand, the agent of the company, who are the managers focuses on the liquidity, profitability, leverage and the going concern of such firms. Thus, it becomes paramount to achieving convergence of goals.

Stewardship theory is a substitute to agency theory[41]. The theory spells out the responsibilities and traits expected to be exhibited by directors, as such which focus on achieving the objectives of that organisation. Though stewardship theory supports agency theory, it however believes that the personnel who serve as agents are those who would not seek their self-interest but work towards the attainment of the organisation's objectives. In so doing, the stewards would have their individual needs met [24]. The theory is relevant in assessing the effect internal audit has on firms' financial performance; as internal auditors who desireto "climb the organizational ladder", are expected to act in the overall interest of the firm and her shareholders; not otherwise. The stewardshiptheory provides a number of non-financial motivations such as a chance to grow (relating to professional competency), exercising responsibility and authority (relating to independence) and gaining recognition for internal auditors and directors acting as stewards.

III. Material and Methods

The study employed a descriptive research design to assess the effect of the internal auditors' independence, level of professional competency of internal auditors, and internal control systems on the financial performance of quoted manufacturing industries in the consumer-goods sector in Nigeria. The population of the study consist of manufacturing industries listed on the floor of the Nigerian Stock Exchange (NSE). Ten (10) listed manufacturing industries in the consumer-goods sector, were randomly selected for the study from which secondary data obtained from their publishedfinancial statements were gathered, compiled and used. The financial reports were from the NSE as well as the associated annual reports. The information collected was based on a ten year-period report ranging from 2008-2017.

The model given in equation (1) was adopted where financial performance is a function of Internal Auditors' Independence (IAI), Professional Competency (PC), and Internal Control System (ICS).

FPOM = (IAI, PC, ICS) ……..... (1)

(Note: FPOM- Financial Performance of Manufacturing Industries, IAI - Internal Auditors' Independence, PC - Professional Competency, ICS - Internal Control System)

The regression model stated in equation (2) was used to measure relationships between variables and perform data analysis:

$FPOM_{it} = a_0 + b_1IAI_{it} + b_2PC_{it} + b_3ICS_{it} + \varepsilon_{it}$ …… (2)

Financial Performance of the Manufacturing Industries (FPOM) was measured using Return on Assets (ROA) and Return on Equity (ROE). ROE is the ratio of net income to total equity of the firms while ROA is the ratio of net income to the average total assets of the firms. Internal Auditors' Independence (IAI) was measured using the percentage of non-executive directors to the total number of directors in the audit committee, while Professional Competency (PC) was measured by the field of study of internal auditors in selected manufacturing firms relevant for the study. Internal Control System (ICS) was measured by the various internal controls in manufacturing firms.

Data was analyzed using SPSS version 20.Jarque-Bera statistic and Breusch-Pagan / Cook-Weisberg tests were used to check for normality and heteroskedasticity of the model used. Chi-square and Fisher exact tests were performed to test for differences in proportions of categorical variables between two or more groups along withpanel data. Descriptive analysis was done using mean, median and standard deviation while inferential analysis was carried out using multiple regression analysis. The p-level< 0.05 was considered for significance level.

IV. Results and Discussion

The descriptive statistics for the Return on Assets (ROA), Return on Equity (ROE) and Internal Auditors' Independence (IAI) are presented in Table 1.

Table 1: Results of Descriptive Analysis for Internal Auditors' Independence

Variable	ROA	ROE	IAI
Mean	0.094	0.394	0.492
Median	0.098	0.249	0.500
Standard deviation	0.099	0.649	0.032
Range	0.633	4.782	0.225
Min	-0.257	-0.653	0.375
Max	0.376	4.128	0.600

ROA takes value between -25.7% and 37.6% with an average of 9.4% (S.D = 9.9%) and has a median value of 9.8% which is slightly different from the average value. This signifies that there is skewness. ROE is 39.4% with a standard deviation of 64.9% and ranges between -65.3% and 412.8%, with a median value of 24.9%.The gap between the median and mean values signifies that the series is not normally distributed. Also, IAI hovers around 37.5% and 60.0% with a mean of 49.2%, standard deviation of 3.2% and median value of 50.0%.

Table 2 shows the degree of relationship between ROA, ROE and PC. According to the results, professional competency (PC) which is an index has an average value of 0.441 with a minimum and maximum of 0.250 and 0.667, standard deviation of 0.153 and median value of 0.333.

Table 2: Results of Descriptive Analysis for Internal Auditors' Independence

Variable	ROA	ROE	PC
Mean	0.094	0.394	0.441
Median	0.098	0.249	0.333
Standard deviation	0.099	0.649	0.153
Range	0.633	4.782	0.417
Min	-0.257	-0.653	0.250
Max	0.376	4.128	0.667

Table 3 presents the descriptive result for ROA, ROE and Internal Control System (ICS). Results reveal that ICS has a mean value of 0.540. This indicates that the internal auditors of firms disclose in their report that the internal control system was being consistently and effectively monitored through effective internal audit about 54.0%. The standard deviation is about 0.501.

Table 3: Descriptive Analysis for Internal Control System

Variable	ROA	ROE	ICS
Mean	0.094	0.394	0.540
Median	0.098	0.249	1.000
Standard deviation	0.099	0.649	0.501
Range	0.633	4.782	1.000
Min	-0.257	-0.653	0.000
Max	0.376	4.128	1.000

Note: ROA = Return on Assets, ROE = Return on Equity, Internal Control System (ICS).

Hypothesis One: ***Internal Auditors' Independence, Professional competency and Internal Control System do not have significant effect on Return on Assets***.

Following the objective of this study, the sub-section's panel data regression analysis focuses on making inference on coefficients of Internal Auditors' Independence (IAI), Professional Competency (PC) and Internal Control System (ICS) with the dependent variable been Return on Assets (ROA).

The F-statistic [F-test = 13.88 (P – value = 0.000)] in Table 4 indicate that the model is fit meaning that the explanatory variables, IAI, PC and ICS explain changes in ROA. In addition, the adjusted R-squared value of 0.230 for the model shows that the independent variables explain about 23% of variances in the dependent variable. Focusing on the coefficients of IAI, PC and ICS, the results shows that the coefficient of IAI is negative and statistically significant [coefficient = -0.622; P – value = 0.000]at 1% alpha levels. This means that IAI exhibits a negative and significant effect on ROA. Alternatively, it means that ROA reduces as IAIincreases. Also, the coefficient of PC is found to be statistically significant. Specifically, the coefficient is positive as expected and statistically significant at 1% level [coefficient = 0.213; P – value = 0.000] indicating that PC actually has positive and significant effect on the ROA of the selected listed firms in Nigeria during the period of this study. However, the coefficient of ICS appears to be insignificant. This means that ICS does not have significant effect on ROA of the selected firms. Thus, only two of the study variables IAI and PC have significant effect on ROA. Though, the effect of IAI on ROA is negative, while that of PC on ROA is positive. Therefore, while we do reject the statement that Internal Auditors' Independence and Professional competency do not have significant effect on Return on Assets; we do not reject the statement that Internal Control System do not have significant effect on Return on Assets.

Table 4: Panel Data Analyses for Return on Assets Model

	(3)		(3)
VARIABLES	Fixed		Fixed
IAI	-0.622***	**Observations**	100
	(-2.922)	**R-squared**	0.324
	0.004	**Adj. R-squared**	0.230
PC	0.213***	**F-test**	13.88
	(5.082)	**Prob> F**	0.000
	0.000	**Wald-chi2**	
ICS	0.013	**Prob> chi2**	
	(0.672)	**Observations**	100
	0.504		

Constant	-0.319***
	(-3.092)
	0.003

*Note: ROA = Return on Assets (dependent Variable), IAI= Internal auditors' independence, PC= Professional competency and ICS = Internal Control System, t-statistics in parentheses *** p<0.01, ** p<0.05, * p<0.1*

Hypothesis Two: ***Internal Auditors' Independence, Professional competency and Internal Control System do not have a significant effect on Return on Equity.***

Following the objectives of this study, regression analysis was performed to examine the effect of Internal Auditors' Independence (IAI), Professional competency (PC) and Internal Control System (ICS) on Return on Equity (ROE), an indicator of Financial Performance. That is, this sub-section of panel data regression analysis focuses on making inference on coefficients of IAI, PC and ICS in relation to ROE.

As shown in Table 5, the F-statistic [F-test = 5.726 (P – value = 0.001)] suggest that the model fits well and that the explanatory variables account for changes in the ROE. Additionally, the R-squared value of 0.165 for the model shows that the independent variables explain about 16.5% of variances in the dependent variable. Inference from the results show that the coefficient of IAI is negative and statistically significant [coefficient = -4.251; P – value = 0.039] at 5% alpha levels. This indicates that IAI shows negative and significant effect on ROE. This means that increase in proportion of non-director auditor reduces ROE of the selected companies. On the other hand, the result shows that the coefficient of PC is significant at [coefficient = 1.032; P – value = 0.011] 5% level of significance. The significant coefficient is positive. This suggests that the effect of PC on financial performance in terms of ROE of the selected firms in Nigeria during the period of this study is significant. Similarly, the results show that ICS exhibits positive and significant relationship with ROE at 10% level of significance during the period of this study [coefficient = 0.344; P – value = 0.061]. Thus, the three variables IAI, PC and ICS all have significant effect on ROE. Though, the effect of IAI on ROE is negative, while that of PC and ICS is positive. Therefore, we do reject the statement that Internal Auditors' Independence, Professional competency and Internal Control System do not have significant effect on Return on Equity. The findings on this study is in line with that of another study[34] which revealed that audit committee independence has significant effect on return on equity.

Table 5: Panel Data Analyses for Return on Equity Model

	(3)		(3)
VARIABLES	Fixed		Fixed
		Observations	100
IAI	-4.251**	**R-squared**	0.165
	(-2.097)	**Adj.R-squared**	0.0497
	0.039	**F-test**	5.726
PC	1.032**	**Prob> F**	0.001
	(2.590)	**Wald-chi2**	
	0.011	**Prob> chi2**	
ICS	0.344*		
	(1.895)		
	0.061		
Constant	-2.470**		
	(-2.511)		
	0.014		

*Note: ROE = Return on Equity (dependent Variable), IAI= Internal auditors' independence, PC= Professional competency and ICS = Internal Control System, t-statistics in parentheses *** p<0.01, ** p<0.05, * p<0.1*

Hypothesis Three: ***Internal Auditors' Independence, Professional competency and Internal Control System do not have significant effect on the Financial Performance (Aggregated) of quoted manufacturing industries in the consumer-goods sector.***

After examining the relationship between FPOM and Internal Auditors' Independence (IAI), Professional competency (PC) and Internal Control System (ICS); the residuals (error terms) of the estimated models are subjected to normality and heteroskedasticity tests using Jarque-Bera statistic and Breusch-Pagan / Cook-Weisberg test and the results are presented in Table 6. Econometrically, a model is said to be free from heteroskedasticity problem if the variances of error terms are equal over the various values of the independent variables implying that during regression analysis the variance would be found to be consistent. As reflected in Table 6, all the test statistics and their associated p-values are statistically insignificant. This means that the residual is normally distributed and has constant variance. Consequently, it is concluded that the model is fit.

Table 6: Diagnostic Tests for FPOM Model

Model	Stat.	Breusch-Pagan Heteroskedasticity Test	Jarque-Bera Normality Test
Model II	Chi2	1.37	0.34
	P-value	[0.142]	[0.642]

The Breusch and Pagan Lagrangian Multiplier (LM) [9.27 (P-value = 0.001)] and [6]Hausman [10.23 (P-value = 0.017)] test results for the model indicated that panel effect prevails. As a result, the fixed effect results are chosen for interpretation. Table 7 provide results of the multipleregression models performed to test the effect of Internal Auditors' Independence (IAI),Professional Competency (PC) and Internal Control System (ICS) on Financial Performance (Aggregated) (FPOM).

Table 7: Panel Data Analyses for FPOM Model

VARIABLES	Fixed		
IAI	-2.436**	**Observations**	100
	0.024	**R-squared**	0.193
		Adj. R-squared	0.081
PC	0.622***	**F-test**	6.921
	0.004	**Prob> F**	0.000
		Wald-chi2	
ICS	0.179*	**Prob> chi2**	
	0.064		

Note: Internal Auditors' Independence- IAI, -PC, - ICS *** *p<0.01,* ** *p<0.05,* * *p<1.*

As reported in Table 7 on the F-statistic [F-test = 6.921; P-value = 0.000] indicate that the model is significant. Thus, the model can be said to be valid and capable of measuring what it is developed for. The R-squared value of 0.193 for the model shows that the independent variables explain about 19.3% of the variations in the dependent variable. From the results, it can be seen that the coefficient of IAI is negative and statistically significant [r = -2.436; P-value = 0.024] at 5% alpha levels. These mean that IAI shows a negative and significant effect on FPOM. It can be inferred that an increase in IAI will reduce FPOM significantly. In addition, the coefficient of PC is found to be positive and statistically significant at 1% [r = 0.622; P-value = 0.004] indicating that increase in PC increases FPOM of the listed manufacturing firms in Nigeria. Alternatively, it suggests that the effect of PC on Performance of the listed manufacturing firms in Nigeria is significant during the period of this study. In the same way, the coefficient (r) of ICS is found to be positive and statistically significant at 10% [r = 0.179; P-value = 0.064] indicating that increase in ICS increases FPOM of the listed manufacturing firms in Nigeria. Thus, the three variables IAI, PC and ICS have significant effect on FPOM; though that of IAI is a negative one. We therefore do reject the statement that Internal Auditors' Independence, Professional competency and Internal Control System do not have significant effect on Financial Performance (Aggregated) of the Manufacturing industries in the consumer-goods sector.

The finding of this study on the significant effect of Internal Control on Financial Performance partly supports that of another study[26]. The findings are corroborated by a certain study[15] which found that internal audit practice drivers such as their independence, quality, internal control system and audit risk assessments

significantly and positively influence organization's performance. The finding however, did not agree with the study thatestablished that limited internal auditors' independence negatively influenced financial performance of deposit money banks[31], and also did not support that of another study[8] which noted that internal audit independence is instrumental to organisation'sperformance due to their significant effect, positive influence.It therefore means a good interrelationship between Independence of Internal Auditors (measured by the level of audit committee independence) and the financial performance of the manufacturing firms, needs to worked upon such as opportunity for advancement in organisational cadre.

V. Conclusion

The findings of the study revealed that Internal Auditors Independence (IAI) had a negative but significant effect on the Financial Performance of quoted manufacturing industries in the consumer-goods sector; while Professional Competency and Internal Control System had positive and significant effects on the Financial Performance of quoted manufacturing industries in the consumer-goods sector in Nigeria. It can therefore be established that in order to implement good internal audit independence, management should be concerned about other factors influencing the relationship between internal auditors' independence and financial performance. Doing this might help guard against manipulation of figures in the financial statement and also creative accounting. The management of the firms should keep organizing trainings, seminars and workshops whereby the internal auditors would be trained frequently by experts either internally or externally to enhance their professional competence. This study contributes to practice, advocating for an effective internal audit system to be put in place by management of quoted manufacturing industries in order to achieve high financial performance.

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