UNIVERSITY OF CAPE COAST

INTERNAL AUDIT EFFECTIVENESS AND THE FINANCIAL PERFORMANCE OF NON-BANKING FINANCIAL INSTITUTIONS IN ASHANTI REGION OF GHANA

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BY

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DECLARATION

Candidate's Declaration

I hereby declare that this dissertation is the result of my own original research and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature …………………………..…..Date ………………….…..

Name: Victoria Mansah Papanko

Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision of dissertation laid down by the University of Cape Coast.

Supervisor's Signature:…………………………………Date ………….……..

Name: Mr. Evans Frimpong Manso

ABSTRACT

The study was conducted to assess the internal audit effectiveness and its relatedness with financial performance of selected non-banking financial institutions in the Ashanti Region of Ghana. The study adopted an observational cross-section descriptive survey approach aimed at ensuring the thorough capture of details on the internal audit efficiency and financial performance situations without influencing the study environment. Purposive sampling technique was employed in collecting information from the staff of thirteen selected non-banking institutions. Close ended semi-structured questionnaires were used in obtaining data on issues pertaining to internal audit effectiveness whilst open-ended questionnaires were used to obtain data on financial performance indicators. Responses from questionnaire administration were analyzed using the Statistical Package for Social Sciences (SPSS) analytical tool, version 16.0. Both descriptive statistics and inferential statistics were obtained for the purpose of the study. The study found a significant level of internal audit competency (around 55 percent), a fair level of management support to ensure non-banking financial institutions' internal audit effectiveness, and a high positive association between internal audit competency and non-banking financial institutions' financial performance. Internal audit independence was also found to be positively related to financial performance. It was thus recommended that board and management of non-banking financial institutions ought to maintain adequate audit staff size, and strictly adhere to strategies aimed at promoting internal audit competence, independence and management support systems.

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DEDICATION

To my father, Mr. Paul Kofi Manuh

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CHAPTER ONE

INTRODUCTION

This chapter gives the general introduction of the study assessing the effectiveness of internal audit and its relatedness with financial performance of non-banking financial institutions. The study has been necessitated by recent threats of business collapse in the financial sector of Ghanaian economy and inadequate empirical evidence of internal audit's contribution to the menace. Among other areas, this chapter provides the study background linking up prior related studies that provide areas of theoretical or conceptual understanding link up to the study findings to serve as a guide for stakeholders in the sector under study.

Background to the Study

The contribution of the financial system to the economic development of a country in recent times is enormous and cannot be underrated. Financial institutions, whether banking or non-banking, are financial intermediaries accepting deposits and channelling those deposits into lending activities (Madawaki & Ahmi, 2019). In view of the fact that non-banking financial institutions essentially link those with capital (such as investors or depositors) to those seeking capital (such as borrowers or businesses that want to grow), non-banking financial institutions are both a key component of the financial system and active players in financial markets.

Various groups of individuals are particularly affected by the performance of financial institutions because of their business interest therefore these individuals, groups or organizations seek an evaluation of financial information from such institutions for informed decisions. In the first place, shareholders are directly affected by the performance. In addition, investors take advantage of institutional information to develop future performance expectations that can be used to help price common shares (in addition to capital notes and bonds that may be issued by institutions) (Madawaki & Ahmi, 2019).

With the increasing fraud cases and recent collapse of businesses worldwide especially the banking and non-banking financial institutions, internal auditing is becoming increasingly important in both the private and public sectors. Managements of institutions are therefore encouraged to institute an effective internal audit functioning (Jones & Pendlebury, 2000 as cited in Ricci & Civitillo, 2018). Jones and Pendlebury (2000), proposed that the fundamental goal of internal auditing is to help achieve organizational objectives through an orderly and disciplined approach to ensure effective controls and system of governance.

The Board of Directors of the Institute of Internal Audit (IIA, 2001) defines internal audit as an autonomous, objective confirmation and advisory body tasked with expanding and improving the firm's activities. It empowers an entity to achieve its objectives through the provision of a methodological, well-trained strategy to assessing and enhancing the adequacy of risk to executives, control and administrative actions. Ali and Handavani, (2018) suggests that internal audit, adds to the firm's compliance with applicable regulations, enhances external auditors' work. Endaya and Hanefah, (2016), identifies weaknesses in business practices and procedures and provides an objective assessment of business operations and processes. In addition to the above, internal audit is seen as enhancing corporate governance structure, aids in planning strategic management, assesses business risk and enhances organizational value; (Church & Schneider, 2008).

In its contribution, Getachew, (2016) averts that the primary objective of internal audit is to help firms achieve sound financial and operational management by promoting efficient expenditure, financial accountability, and visibility. Internal auditing's role is evolving, according to Getachew, (2016) from a narrow focus on monitoring and reviewing the effectiveness of internal controls to a wide range of tasks that give opportunities for the profession and attract more attention in corporate governance. As a result, internal audit effectiveness is paramount for corporate success including the financial performance of non-banking financial institutions. Many academic and business research (Madawaki & Ahmi, 2019) findings shows that the effectiveness of internal audit is influenced by the quality of internal audit, alongside the help from the board, the organizational climate and the attributes of the organization. In another research, there is a positive connection between perceived internal audit quality and the security of the system of corporate governance in South Africa (Endaya & Hanefah, 2016). More recently, Bota and Palfi (2009), having analyzed one hundred and eight Israeli organisations, advanced the efficacy of internal audit effectiveness as a factor of internal audit performance. In addition to the foregoing, Alzeban and Gwilliam (2014) emphasize the impact of internal audit quality on internal audit performance.

Internal auditing procedures that are well-established assist organizations to perform better financially in the current operating climate. According to Ali and Handayani, (2018), active internal audit aids in the reduction of overheads, finding means of refining efficiency and exploitation of coverage that are likely to deteriorate performance due to inadequately safeguarded resources. According to Okodo, Momoh and Yahaya (2019), the internal audit function and financial performance produced friction and unpredictability in the company's financial reports when management refused to fully support the internal audit function. Further submissions posit that the audit function if left unutilized has a high likelihood of adversely affecting the performance of financial institutions.

Statement of the Problem

Internal audit provides dependable, objective, and unbiased services to management, the board of directors, and the audit committee, while stakeholders are concerned with return on investment, long-term growth, effective leadership, and accurate financial reporting. Positive relationships between internal audit quality (audit expertise and professional competence), internal audit standards, audit independence and firm results, usually financial performance, have been developed by studies (Madawaki & Ahmi, 2019).

Despite the critical role internal audit plays in organizational management and financial performance, financial institutions continue to struggle with guaranteeing the efficacy of internal audit activities. Okodo et al. (2019), supports other evidence in literature and reiterates that internal audit effectiveness is best supported by high level of internal auditors' competence, internal audit independence, and adequate support from management of organizations.

It is evident in research that effective internal audit functions ensure prudent financial management in respect of monitoring financial transactions, controlling financial expenditures and safeguarding organizational assets thereby improving the financial performance of organizations. Defects in internal audit functioning has the tendency to erode profit margins, return on assets, and return on equity among others which ultimately contribute to insolvency problems that lead to the collapse of some non-banking financial institutions (Okodo et al. 2019; Madawaki & Ahmi, 2019).

Despite literature given prominence to the need to ensure internal audit effectiveness, very few studies have looked into the impact it could have on financial performance of firms achieving it. In view of the above, this study sought to contribute to literature and fill this gap. Thus, the purpose of this study was to assess the effectiveness of internal auditing and its link to the financial performance of non-banking financial organizations in Ghana's Ashanti Region.

Purpose of the Study

The study's major goal was to investigate the effectiveness of internal audit functions and their impact on the financial performance of non-banking financial institutions in Ghana's Ashanti Region.

Research Objectives

Towards the achievement of the main purpose, the study aimed at achieving the following specific objectives:

1. To assess the independence of internal audit to ensure its effective functioning in the non-banking financial institutions.
2. To assess the competence of internal auditors as a determinant of internal audit effectiveness.
3. To evaluate the management support factor of internal audit effectiveness.

4. To establish the relationship between internal audit effectiveness and the financial performance of the non-banking financial institutions in Ashanti Region.

Research Questions

The study sought answers to the following questions in the quest towards the realization of the research objectives:

1. How independent is the internal audit of non-banking financial institutions?
2. What is the level of internal auditor's competence in non-banking financial institutions?
3. To what extent does management support ensure internal audit effectiveness of non-banking financial institutions?
4. How does internal audit effectiveness relate with the financial performance of the non-banking financial institutions in Ashanti Region?

Research Hypothesis

The following hypothesis were tested:

1. H_1. There is a positive correlation between internal auditors' competence and the financial performance of the non-banking financial institutions.
2. H_1. The independence of internal audit significantly impacts on the financial performance of the non-banking financial institutions.
3. H_1. There is statistically significant relationship between management support factor of internal audit and financial performance of the non-banking financial institutions.

Significance of the Study

The banking and non-banking financial institutions in Ghana in recent times pose threats of collapse partly as a result of insolvency which might stem from ineffectiveness of the internal audit functions. The study is significantly useful:

a. To guide policy makers such as the Ministry of Finance and the Financial and Economic planners in their policy formulation appropriate to enhance the role of internal audit function in financial institutions. The Bank of Ghana could also be guided in its policy guidelines on monitoring and supervision to ensure internal audit compliance procedures in the financial sector.

b. To provide some insights about some internal audit functions and procedures. The results obtained would provide information to alert management and Board of Directors towards organizational improvement and profitability.

c. To serve as a reference material for academicians in research who might use it as a secondary data source for related studies.

d. To serve as a complement adding up to the stock of literature on issues related to financial management, compliance of standards and organizational performance.

Delimitations

Internal auditor competency, internal audit independence, management support for internal audit tasks, and the financial performance of non-banking financial enterprises were all examined.

Definition of Terms

Internal audit – Assurance and consulting tasks with the goal of improving an organization's operations.

Audit effectiveness – providing solid operational and financial administration through efficient spending, financial transparency, and financial accountability

Financial performance – the organizations' level of performance in respect of financial indicators such as gross profit, net profit, PBIT and current ratios.

Non-banking financial institutions –these are financial institutions that are technically not banks but operate similar business of banking including deposit taking, loan granting among others. Such institutions include savings and loans companies, credit unions, and insurance businesses. *Audit compliance* – the extent of adherence to rules, regulations and procedures of internal audit system.

Limitations

Academic studies of this nature would hardly go without some limitations of a sort. Due to shortage of time and other resources, the study was fundamentally undertaken to capture only non-banking financial institutions operating within Kumasi Metropolis. Only the research area and not beyond is limited to the degree of generalization. Due to fear of victimization, the research data could suffer the needed credibility on the part of staff. Respondents were guaranteed of the anonymity of the information they provided in an effort to lessen this scenario. Since the research is a descriptive survey, the results do not predict causality and can therefore not predict possible future events as well. As a result, the findings and conclusions were based on the current situation at the time the data was collected.

Organization of the Study

The study was organised in five chapters. The introduction, which was the Chapter One, highlighted the background to the study, statement of the problem, purpose of the study, objectives of the study, research questions, research hypotheses, significance of the study, delimitation of the study, limitation of the study, and finally, the chapter summary. In the Chapter Two, the underpinning theories, concepts and related empirical studies were reviewed, as well as the conceptual framework. Chapter Three discussed the research methods employed for this study. Chapter Four focused on analysis and discussion of results. The final chapter, Chapter Five, concluded the dissertation by highlighting the summary, key findings, conclusions, and recommendations as well as suggestions for further research.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter focuses on the reviews of relevant literature in relation to financial performance of non-banking financial institutions situated in the Ashanti Region. The chapter is divided into four components – conceptual review; theoretical review which considers the theories underpinning the study; empirical review; and conceptual framework which spells out the relationships between the independent and the dependent variables. The chapter finally presents a summary.

Theoretical Review

The theoretical framework is a collection of interconnected ideas of study and models that guide research, establish what should be examined, and their statistical relationship. Theoretical frameworks are clearly critical to the academic study by providing vision and direction for the study. The study made use of the Agency theory and stakeholder theory.

Agency theory

Among the theories commonly found in studies relating to firm performance of organizations include the agency theory popularly postulated by Jenson and Meckling in 1976. The agency theory posits that provider of business equity capital (shareholders) are held as principals whilst management of such firms are also held as agents. Therefore, proponents of Agency theory hold that there is a very important connection between the capital providers (principal) and the management (agents) who are mandated to act on behalf of the principals (Ondieki et al, 2014).

The agency theory is essentially based on the proposition and ideology that separating management from ownership facilitates audit transparency. The theory is essentially based on the argument that audit functions significantly reduce the problems resulting from the competing interests of shareholders who are owners of the company and management who have been allocated positions in the company (Mustafa, Fatima, Saleem & Ulain, 2016). Another premise of the agency theory is that agency cost contributed to the design of audit procedures applied by organizations to eliminate agency problems that could occur. Successful audit practices are also justified by improving transparency in activities that eventually contribute to the company's financial performance.

A way out to address the conflict of interests of the principal agent has contributed to the need for good governance, resulting in management techniques centered on control mechanisms. Consequently, the service of external auditing has been a prudent practice to oversee and examine management practices that maximize returns to safeguard shareholders' interest. Endaya and Hanefah (2016), contends that agency theory has led to various financial studies that sought to explain prudent financial management such as internal audit in organizations. Therefore, in the current analysis, agency theory is considered essential to indicate the need for successful internal audit as the basis for external audit. According to Ricci and Civitillo (2018), most companies use internal audits and other control systems to improve financial management effectiveness and track the operational performance of numerous divisions.

In addition, senior management is often compensated depending on the outcomes of reward-based programs designed to incentivize management to maximize shareholder wealth while also attracting and retaining the best and most trained employees (Kabue, 2020). Internal auditors are used as a monitoring mechanism to test management initiatives against board and shareholder standards (Ogega, 2017). The significance of internal audit to financial performance of financial institutions is apparent and thus the integration of agency theory in the current study that assesses audit effectiveness and financial performance of non-banking financial institutions.

Stakeholder theory

From the findings of Oroud, Islam, Ahmad and Ghazalat (2019), the theory of stakeholders describes companies' stakeholders and defines performance results as satisfaction measures. The theory suggests that the main stakeholders of companies are staff, shareholders, suppliers and consumers, while a secondary group of stakeholders is the government, labour unions, political parties, the community and the general public. While secondary stakeholders have an indirect link with the company, key stakeholders have a direct relationship with the company, according to Oroud et.al (2011). The categorization here is based on the validity of stakeholder statements, the influence of stakeholders over the organization and the urgency of demand from stakeholders. Often times, it is criticised that the stakeholder theory gives narrow analytical focus on how internal audit challenges are resolved because shareholders are not the only investors in the firm (Thumbi, 2016). That notwithstanding, the significance of internal audit practices in the firm typically regarding financial performance is justifiable.

Thumbi (2016) contend that internal audit complements management policies to safeguard shareholders' vested interest to ensure that resources are utilized efficiently towards better financial performance. It is also admitted that effective internal audit has rippling positive implications for the interest of all stakeholders (primary or secondary) (Ricci & Civitillo, 2018). This is because enhanced financial performance also reflects in other performance measures such as customer satisfaction, supplier loyalty, public confidence and the performance of social responsibility among others.

Conceptual Review

A review of concepts offers connections between the different variables being evaluated in the study while presenting data relating to the results of the study. The study looked into the notion of internal audit, its evaluation and scope, the necessity for internal audit (IA) in non-banking financial entities, and the efficacy of internal audit. Other concepts in the study covered areas such as internal audit best practices, and the financial performance measures of non-banking financial institutions.

The concept of internal audit (IA)

It is critical to have a general awareness of audit and then a specific grasp of internal audit in the context of the current study. An audit is defined by different authors in various ways. The Association of Certified Chartered Accountants (ACCA) defines audit as "the objective investigation and expression of an opinion on an entity's financial statements." According to the Association of Accounting Technicians (AAT) (2000), auditing is "a process that results in the expression of an opinion as to whether the financial statements present a true and fair picture of the entity's affairs at the period end and whether they have been properly prepared in accordance with the applicable accounting standards."

As a subset of the audit function, internal audit has been given various interpretations by researchers, academicians and professionals. Internal audit is defined as an independent assessment activity carried out within an organization as part of a management-created internal control system, as part of a review of its operations, and as a management service. It is taken to analyze, review and report on accounting and other operational controls (Okodo et.al., 2019).

The internal audit role occupies a significant part of the internal control organizational structure. This promotes successful internal auditing and reporting with the assurance of an organization's highest possible degree of evaluation and assessment of different activities. Ali and Handavani (2018) see internal audit as capable of either gaining a good or poor reputation in the business depending on its results. It must continue to assess its performance and continuously enhance its facilities in order for the internal audit to remain reputable.

Internal audit is usually regarded as an important part of business and corporate governance control mechanisms (Okodo et.al., 2019), and it comprises supervisory undertakings by the board of directors and audit committees to ensure that financial reporting practices are sound and up to date. Internal audit allows companies to meet their expected targets dramatically by using strategic methodologies to assess and refine the usefulness and competence of governance procedures.

The evolution and scope of internal audit

Internal audits have changed over time to fulfill the demands of both profit and non-profit organizations, as well as the government. The desire for internal auditing, according to Ricci and Civitillo (2019), originated when management of early huge corporations discovered that annual audits of financial statements by Certified Accountants (CA) were insufficient. To maintain accurate and timely financial records and to avoid fraud, personnel from outside the CA needed to be involved as soon as possible. Internal auditors have grown in importance as a result of regulatory authorities' demands for greater management accountability for the accuracy of reported financial accounts.

Internal auditors' responsibilities have been broadened to include overall operational policies and procedures. New operational challenges have arisen as firms have gotten larger and more intricate, prompting the necessity for an internal audit solution. To expand internal auditing to operations, internal auditors must have specialized expertise in other areas like as economics, law, finance, statistics, computer processing, engineering, and taxation (Ricci & Civitillo, 2019.) Internal auditing is effective within the confines of a specific scope. The Institute of Internal Audit (IIA) defines internal auditing as the review and assessment of a company's internal control system's adequacy and effectiveness, as well as the consistency of the fulfilment of the given responsibilities. The scope of the audit includes a look at the accuracy and consistency of financial and operational data, as well as the methodologies used to evaluate, classify, and report performance.

According to Olatunji and Adekola (2017), an internal audit involves a summary of the system in place to assure compliance with all policies, plans, procedures, rules, and regulations that may have a direct impact on activities and reports, as well as to assess compliance with the company. Internal auditing, according to Olatunji and Adekola (2017), entails examining the measures for safeguarding assets and, when necessary, validating their presence, as well as reviewing the efficiency and economy with which resources are employed. The scope of internal auditing subsequently clarifies the degree of work the internal auditor is expected to undertake.

The need for internal audit (IA) in non-banking financial institutions

Research has spotted a host of duties and responsibilities that highlights the need for internal audit functions in a variety of business set-ups such as the non-banking financial institutions. According to Gramling and Hermanson (2006), a strong and reliable internal audit function must assess compliance with applicable financial management regulations and protocols, evaluate the effectiveness of internal control systems, and examine the integrity and consistency of financial and operational information systems' record keeping and reporting.

Other relevant duties that Gramling and Hermanson (2006) point out include the prior audit of every document that was used to initiate contracts and obligations; validate and certify periodic pending invoices and other financial reports, expense data; as well as analyzing and pre-auditing annual appropriation accounts and other financial statements to ensure that correct accounts are prepared in compliance with the applicable standards (Ali & Handavani, 2018).

In a submission, Dittenhofer (2009) also asserts that the internal audit must investigate anomalies discovered or reported in cases of resource waste or instances of widespread mismanagement or misappropriation of government funds and assets as a matter of need. Internal auditors must ensure that the institution's revenue and other due receipts are collected, banked, and completely accounted for on time; they must also visit areas such as revenue and receipts collecting sites on a regular basis to ensure that processes and rules are followed (Endaya & Hanefah, 2016).

Internal audit (IA) effectiveness

Various scholars have defined the term 'effectiveness.' Effectiveness is defined by Arena, Azzone and Mapelli (2018) as the ability to generate results that are consistent with objectives, whilst Dittenhofer (2001) describes it as the ability to achieve one's desires and goals (Endaya & Hanefah, 2016). In a similar vein, if a program's outcome is consistent with its goals, it is considered successful (Vadasi, Bekiaris, & Andrikopoulos, 2019). In this regard, the effectiveness of an internal audit is defined as the ability of an internal auditor within an entity to achieve a certain goal. Even while the effectiveness of internal audits appears to differ both at the organizational and national levels, this is consistent with the fact that the aims of an internal audit for any corporation are dictated by the goals set by the organization's management (Azzali & Mazza, 2018).

Olatunji and Adekola (2017) recommends that the internal audit should meet the set goal in order to improve the organization's performance. As a result, understanding the basic goal of internal auditing is crucial in determining if the function of internal auditing is effective, identifying the objectives that internal auditing should achieve, and establishing activities to assist in achieving those objectives (Oppong, Fofack & Boakye-Yiadom, 2021; Endaya & Hanefah, 2016). Again, Al-Shbail, and Turki (2017) posited that three fundamental requirements, namely independence, organizational status, and objectivity, must be fulfilled for the purpose of achieving the internal audit objective. The critical nature of internal audit functions requires competency, management support, independence and an appropriate size of the internal audit department (Tarmidi, Rashid & Abdullah, 2017).

Gaining management support, without a doubt, allows internal auditors to access greater resources to carry out their jobs and meet their obligations. The internal audit department will attract, train and eventually develop the skills and productivity of qualified employees (Getachew,2016). In addition, (Getachew,2016) stressed the importance of help from management in eliminating any access and budget constraints that hinder the improved performance of the internal audit department.

According to Asiriuwa, Aronmwan Uwuigbe, and Uwuigbe, (2018), the Internal Audit Department Head must provide or convey the necessary data to auditors (both internal and external) who provide services such as assurance and consultation. In order to guarantee that all issues are resolved and that future rework is kept to a minimum, the chief internal auditor must maintain track of his obligations. For some time now the importance of collaboration and interaction between internal auditors and external auditors has been seen as a benefit of internal auditing for the association and external stakeholders. Asiriuwa et al., (2018), stresses the need for efficient communication between internal and external auditors and expresses the importance of integrating data, emotions, and reports with a clear end goal of joint planning and correspondence to facilitate impressive audits, including aversion to needless revamps.

Internal audit independence

Another component that can contribute to successful audit activities in terms of both assurance programs and consultancy for the organization is the necessity for audit objectivity and independence, which allows the audit department to execute work without interference from any party to the audit assignment (Asiriuwa et al., (2018). Independence and objectivity are linked because the audit service is provided free of situations that could endanger objectivity and results in lack of significant quality sacrifices being made. In fact, the audit function should have a great deal of autonomy from those who need to be audited so that it may both conduct and appear to be able to do its job without interference (Asiriuwa et al., (2018).

Auditor independence is critical to audit success because auditors should have unrestricted access to any material related to the audit job. The auditors will have an objective report and a trustworthy professional opinion on the audit job in order to fulfil the mission granted to them in a trustworthy manner. If an auditor does not execute duties similar to those of a member of client management or an employee, their independence will not be jeopardized (Phan, Lai, Le & Tran, 2020).

The task of internal audit (IA) is to some degree confused, because internal auditors are members of the management group and concurrently assess the efficiency and effectiveness of management independently. However, in recent years, there has been a surge in interest in internal audits' independence and objectivity. Internal auditing's effectiveness may be harmed as a result of this because, though internal auditors are responsible for protecting their employer's best interests, they may be unwilling, regardless of the consequences, to challenge management (Phan et al., 2020).

Endaya and Hanefah (2016), in their contribution to the internal audit effectiveness debate, said that internal audit operations should be autonomous and unbiased in carrying out their responsibilities. Internal auditors' independence in this sense entails being exempt from conditions that affect their capacity to fulfil their tasks impartially. Internal auditors use the term "objectivity" to describe a mental attitude free of prejudice that allows them to carry out plans that they believe in without compromising the quality of their work. The absence of independence of internal auditors is a problem that opposes the efficiency of internal audits, which inevitably weakens the oversight and validation of financial transactions and thus affects financial performance (Gerald, 2016).

Internal control audit

Internal control was defined by the Audit Planning Committee (APC) in the United Kingdom (UK) in 1979 as a full-fledged control system, monetary and non-monetary, developed by management to carry out the organization's activities in an efficient and systematic way, to protect assets and ensure, as much as practicable, the records' competency and accuracy, the prevention and identification of errors and fraud during the final financial statement preparation. Internal control, according to Olaoye and Ogundipe (2018) is a collection of manual and automated client processes imposed on the system of accounting with the goal of detecting, avoiding, and correcting mistakes and anomalies that may have an influence on the company's financial statements.

Recognizing the importance of the internal audit role in the internal control framework, the division of duties within non-banking financial institutions is an internal audit problem (Olaoye & Ogundipe, 2018). Internal manipulation, unanticipated error, and the check element are all reduced as a result of this. The functions of initiation (a person or an officer who decides whether or not to offer the loan), execution (a person who keeps the borrowed money), and documentation of the loan should all be separated in an organization's financial administration (the person who records the whole process in the book). The establishment of the internal control system, as well as day-to-day activities, must be viewed as complete evidence against fraud.

Internal audit practice also ensures that companies adhere to standards on accounting and arithmetic regulations. These are the safeguards in the recording feature that verify that the events to be reported and processed have been approved and are processed appropriately and accurately. These checks include verifying the records' arithmetical accuracy, keeping and verifying totals, reconciliation, control reports, trial balances, and paper accounting (Olaoye & Ogundipe, 2018).

Azzali and Mazza (2018) indicates that transactions in financial institutions require authorisation by an authorized responsible person, reiterating the importance of compliance in authorization and approval standards in internal audit practice. This is especially important in an organization's financial system, where big sums of money are handled, making it necessary for monies utilized for various transactions to be authorized by a trustworthy and accountable individual.

Abubakar, Saidin and Ahmi (2017) believe in a related study that the function and intent of the system of internal control include ensuring that the company's assets are covered, protecting against unauthorized disbursement of the company's assets, and ensuring and ensuring the consistency and reliability of all the company's accounting, financial and other operational details. Abubakar et al., (2017) further recognize guidelines of internal control system that the audit department of organizations must work around and ensure adherence. These guidelines include the need for an organization to have a plan of its activities that defines and allocates its responsibilities. Essentially, adequate reporting lines for all aspects of the organization's operations, including controls, must be openly established, and power and responsibility delegation must be properly specified.

Competence of internal auditors

Explaining the competence side of assessing the efficacy of internal audits, Tarmidi et al., (2017) argues that internal auditors must possess appropriate expertise, needed skills and additional competencies to conduct their personal duties. According to Madawaki and Ahmi (2019), one of the most important variables that affect the quality of an organization's internal audit function is internal auditor expertise. Competency is assessed in relation to education level, expertise, capacity and staff commitment to further professional growth. Alhassan (2018) further explains that it determines the auditor's efficacy in establishing a strict and methodical approach to assessing and improving the effectiveness of the institution's operations, financial management and governance practices.

According to Phan et al., (2020), competence can refer to an individual's capacity to execute a job or a task properly and on time, based on their degree of education, professional experience, and attempts to continue their professional development. The competency of auditors defines the organization's effective auditing. Bouaziz (2012) as cited in Phan et al., (2020), concludes that if there are enough internal audit workers with the requisite competencies, internal audit will efficiently perform its duty in organizations.

Auditors' competence is widely recognized as a complement to the quality of internal audit work and as one of the variables associated to the effectiveness of internal audit (Mihret & Yismaw, 2007). Internal audit efficacy is defined by the quality of the internal audit, as well as management's help, the organizational atmosphere, and the organization's characteristics, all of which have an impact on the financial outcomes of the business, according to research. Barac and VanStaden (2009) looked at the link between perceived internal audit quality and financial performance of South Africa's selected financial institutions in another report. It was then discovered that there was a link between the financial performance of the corporations and the quality of their internal audits.

Cohen and Sayag (2010) examined one hundred and eight Israeli companies and found that internal auditor competency was a determinant in the effectiveness and profitability of the non-banking financial institutions they looked at. In line with the above, Ul-Hameed et al., (2019) emphasized the impact of internal auditors' competence to internal audit effectiveness and organizational performance, typically the financial performance.

According to Vadasi, Bekiaris and Andrikopoulos (2019), when an internal audit is conducted, internal controls are considerably facilitated, and management must establish proper procedures for the internal audit unit to follow in order to obtain the desired results. It is also suggested that if management had a robust internal audit department with its own independence, the organization's limited funds would be properly and successfully managed.

Again, Vadasi et al., (2019) reported that internal auditors are responsible for providing management with information on the adequacy and effectiveness of the internal control system of the company, updating and strengthening the internal control system, reviewing and improving the policies and practices of the organization to ensure compliance with statutory legislation.

Management support for internal audit

According to researchers, internal audit heads should also provide senior management with a clear calendar of internal audit activities, including the resources required, as well as major interim modifications, so that senior management can examine and authorize the company's other decision-making authorities for further progress. Internal audit, as defined by the IIA, is an issue of appropriate supervision that, to some degree, relies on competent management to achieve accurate internal audit.

Senior managers have given internal audit reports more weight, demonstrating their agreement with the approach, and have changed the internal audit department's criteria (Rönkkö, Paananen & Vakkuri, 2018). Internal auditors can have greater resources to complete their jobs and fulfill their responsibilities with the support of management. Therefore, management must recruit professional audit personnel, train them and eventually develop their skills and effectiveness (Ul-Hameed et al., 2019). Vadasi et al., (2019) further stressed the need of management help in reducing any access and budget constraints that obstruct the internal audit department's ability to function better. The manner in which senior management communicates its support is likely to disclose a great deal about internal audit's role and importance in the firm. As a result, this support aids the internal audit department in fulfilling its responsibilities and obligations. Vadasi et al., (2019) thus emphasize the relevance of internal auditor-senior administration communications and how administration underpins internal audit.

Best practices of internal audit

Best practices for the internal audit role include providing a structured charter of audit, well-defined communication, quality management system implementation, and recruiting quality employees. According to Chukwuani and Eqiyi, (2020), a structured audit charter assists internal audit and is the cornerstone of its authority in the role of internal auditor within the organization. The ideal audit charter would explicitly state the internal auditor's role as well as any potential scope constraints. Furthermore, according to Chukwuani, and Eqiyi, (2020) the internal audit should have access to all parts of the organization, with no restrictions on the details or areas audited. Financial statements, general ledger, departmental budgets, annual audit findings, payroll, spending, and, most importantly, all credit cards and travels must all be accessible.

Alhassan (2018) complements the statement by Nnenna that nothing can get internal auditors in trouble faster than internal auditors who fail to convey reports to management before the audit report is released. The essence of communication is understood by successful internal audit departments. An improved internal audit process would result in better communication with management about audit goals, audit fieldwork schedules, work results, and, most importantly, management responses (Orazalin, 2019).

The third best practice is the introduction of a quality control system. Al-Matari and Mgammal (2019) announced that a quality management mechanism is in place for the most efficient internal audit functions. These departments follow the requirements of the International Internal Audit (IIA) and review their adherence to them periodically to ensure the achievement of quality work. Continuous professional development is often highlighted as important in audit quality management. Al-Matari et al. also suggest that in order to obtain credibility with the auditor's management, internal audit personnel must be properly qualified and must be experts. Al-Matari and Mgammal (2019) again claimed that on an annual basis, successful internal audit departments will need 20-40 hours of continuous professional training.

Internal audit and financial performance of non-banking financial institutions

Internal auditing (IA) is an ancient function and is known in almost all organizations as a fundamental management tool. In both the public and private sectors, it is regarded as a necessary organizational component.

Internal auditing is seen as a comprehensive monitoring and evaluation duty, with the entire management team responsible for implementing a cost-effective and efficient control technique (Alhassan, 2018). Internal auditing plays a crucial role in assisting the board in fulfilling its supervisory responsibilities. Self-review, close interaction with management and audit committees, and social pressure from management and audit committees can all undermine internal auditors' independence and objectivity, Hazea, et al., (2020). They also observed a correlation between internal auditor independence and financial audit quality related to internal auditor consultation and assurance operations. In a study on auditor independence among financial institutions, Ondieki (2013) discovered a positive relationship between internal auditor independence and increased earnings management in small publicly traded banks in the United States, which was linked to under-provisioning of loan loss provisions (LLP). They also employed a 63-person sample and an observational research study methodology to illustrate that the loss of freedom led to economic interests and familiarity. They claimed that this harmed internal auditors' insurance procedures, resulting in poor share value performance and, as a result, profitability for these businesses (Hazaea et al., 2020).

Miettinen, Shi, and Liew (2011). looked into the link between audit quality and financial results. Audit quality was measured using audit size and the frequency of audit committee meetings. The findings reveal that audit quality has a direct and indirect impact on financial performance via audit size. The findings further suggest that audit quality metrics are not only symbolic, but also contribute to financial performance. One of the most essential components of an efficient internal audit process for effective organizational results, usually financial performance, is internal audit efficiency (IAQ) (IIA, 2002). The internal audit standard is defined by competence and independence, as well as the ability to convey audit results and other findings and recommendations in a timely way. Simultaneously, it is very important to have timely responses from decision-makers to achieve organizational success (Alhassan, 2018).

Internal auditing is defined by highly skilled, competent, and professional individuals, a reasonable audit team size, audit independence and objectivity, and the ability to convey audit findings and recommendations through regular and suitable reporting patterns (Alhassan, 2018). Aikins (2011) examined the association between earnings and management. The outcomes of the study reveal a substantial link between audit quality and financial results after utilizing ordinary least squares (OLS) regression to examine data from 218 organizations.

Internal audits, like practically all other initiatives and processes within firms, rely heavily on top management support. Management acceptance and support of the internal audit function is viewed as a key success factor in achieving internal audit quality (Coetzee & Erasmus, 2017). Internal auditors should be given strong management assistance to ensure that they have the necessary skills, knowledge, and experience to enable efficient and effective internal auditing (Nsiah-Boateng et al., 2016).

Financial performance measures

The ability to function efficiently, profitably, prosper, evolve, and adapt to the potential and risks to the environment is referred to as performance (Hazaea et al., 2020). Financial performance is used to calculate the monetary consequences of an organization's policies and practices. Over the last four years, the company's revenues, profits, losses, investments, and share capital have all increased. It is a subjective measure of an organization's ability to successfully utilize assets in its principal transportation mode.

Performance can be used to compare similar companies in the same industry or aggregated industries or sectors across time as a broad measure of an institution's overall financial health. According to Mugenda & Mugenda (2003), there are various alternative techniques to analyze financial efficiency, but all results should be examined together. Return on Equity (ROE), Return on Assets (ROA), and Net Interest Margin (NIM) are also used as proxies when calculating financial performance. Other financial performance measures among financial institutions other than profitability include liquidity, loan disbursement and customer netting. Appropriate performance metrics, according to available literature, are those that enable organizations to direct their actions towards achieving their strategic goals (Hazaea et al., 2020).

According to MacDonald (2000), return on assets (ROA), return on equity (ROE), and return on sales (ROS) are accounting-based performance indicators that are calculated by dividing net income by total assets, total common equity, and total net sales. Return on Equity (ROE) is one of the most important metrics for financial institutions' future profitability and growth. Net earnings are added together to calculate Return on Equity (ROE) as a percentage of shareholders' equity. The return on equity ratio, or ROE, is a profitability ratio that calculates a company's ability to make money from the contributions of its shareholders in the enterprise.

ROE is also an example of how efficient management uses equity finance to fund programs in order to ensure the organization's growth (Hazaea et al., 2020). The amount of net income obtained after taxes for every unit of equity capital contributed by the shareholders of the institution is measured. The higher ROE raises the price of capital market shares and shareholders also expect a higher distribution of dividends (Douglas, 2006). Higher ratios are almost always better than lower ratios and demonstrate how bets are made.

The return on assets (ROA) is also generally recognized as a financial performance measure that calculates the net income generated per asset unit and is useful for calculating the profitability linked to the institution's asset size. It can also be expressed as net profits per unit of a given asset, which illustrates the conversion of the assets of the organization into benefit. Bota and Palfi (2009) note that the higher return on assets (ROA) is valued and viewed favorably by the institution's owners. On the other hand, the sale and acquisition of properties are typically affected. When the asset level grows, the ROA is likely to decrease and vice versa. The properties of financial institutions, such as loans and Treasury bills, are financial in nature, unlike other business organizations (Tarmidi et al., 2017).

The asset utilization (AU) that measures the bank's ability to produce income from its assets is equally important for consideration. The more revenue generated per asset unit, the more profitable the company is (Faisal, 2021). High values for these ratios reflect the successful use of the capital of the business to produce revenue and are thus generally optimistic for the bank (Tarmidi et al., 2017). Again the net profit margin (NPM) also calculates net revenue generated per unit of total operating income, consisting of interest and non-interest income. In addition to the profit margin, the ability of the corporation to manage expenses is calculated, and the more profitable the bank is the greater the control of expenses.

Internal audit independence (formally defined concepts, management structure), professional competence (qualifications, audit personnel, internal audit quality), internal control systems (reporting, IA management support, advisory role), and internal audit standards are all internal audit aspects that influence a corporation's financial results, (Okodo, Momoh & Yahaya, 2011).

Conceptual Framework

This study is consistent with the assessment of internal audit effectiveness by Stamler, and Gabriel, (2010) on internal audit independence, internal audit competence and internal audit management support. Return on equity, return on asset, and net profit margin are some financial performance measures of non-banking financial firms that the current study restricts itself to. Fadzil, Haron & Jantan, (2005) posits that, directly or indirectly internal audit effectiveness has relationship (positively or negatively) on the financial performance of non-banking financial institutions. Fadzil *et al.* (2005) further argues that survival, performance, and for that matter the success of non-banking financial institutions are mostly dependent on the matters relating to internal audit functions. The current study is therefore conceptualised from these premises as shown on Figure 1.

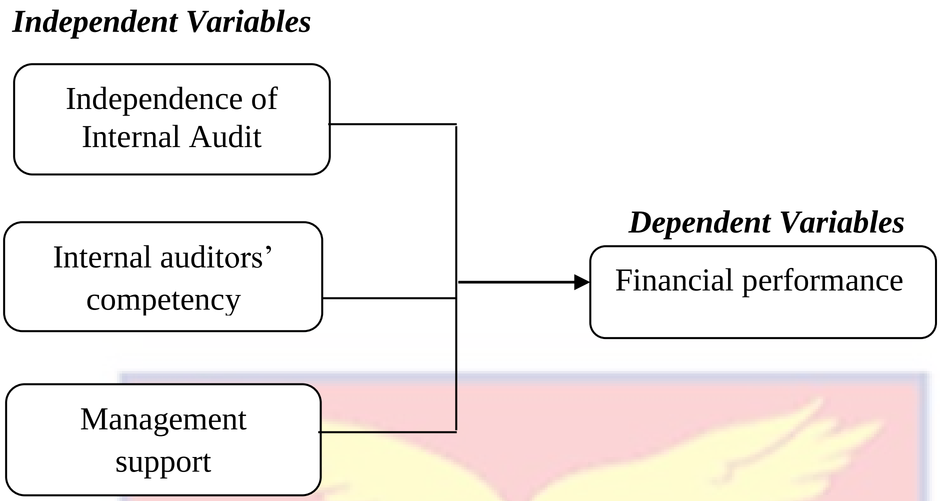

Figure 1: Research Conceptual Framework

Source: Author's construct (2022)

As conceptualized in the study independence of internal audit fosters easy access to documentations and allows for objective examination of documents that augur well for effective monitoring of firms' transactions towards financial discipline. Internal auditors' competence also guarantees sufficient information, skills and experience to develop a structured and a systematic strategy to evaluating and improving the efficiency of the company's operations and financial management

Internal audit, likewise, might have additional resources to complete their jobs and satisfy their responsibilities with full management support. These and other organizational structures heighten the effectiveness of internal audit to undertake relevant monitoring, evaluation and risk assessment to forestall behaviors and practices that have the tendency to drain firm financial resources (Alhassan, 2018). The implication is that effective internal audit is capable of inducing high financial performance of firms such as non-banking financial institutions understudy.

Chapter Summary

This chapter discussed the underpinning theories of this study, concepts, empirical studies relating to the current study, and the conceptual framework. The theories employed were the Freeman's (1984) legitimacy theory, and Dowling and Pfeffer's (1975) stakeholder theory. The related empirical studies reviewed showed that relationship exists between sustainability disclosures and financial performance. Nevertheless, the empirical review revealed a number of gaps. With regards to location or geography, no study specifically considering the current objectives has been carried out in the current study locale; even those closely related to them were carried outside the current study country, Ghana. Also, sample size used in most of the prior studies was insufficient. Further, most of the prior studies used proxies other than return on assets for financial performance.

CHAPTER THREE

RESEARCH METHODS

Introduction

This study looked into the effectiveness of internal auditing and its possible relationship with the financial performance of non-banking financial organizations in Ghana's Ashanti Region. This chapter discusses the study's research method, it contains the research strategy, study region, study population, sampling technique, and data collection tools. The chapter further outlines the steps used to ensure data reliability and validity of results and the ethical considerations maintained in the conduct of the study. It then discusses the data collection procedure, processing and analysis of data, and finally gives a description of the research methodologies employed

Research Design

Research design is a procedural plan in the description of Unegbu and Kida (2011) that is adopted by researchers to respond vividly, critically, accurately and economically to questions. The current study is observational involving cross-sectional descriptive survey approach. This ensures that the study records details on the internal audit efficiency and financial performance situations of non-banking financial institutions without influencing the study environment. The cross-sectional approach adopted in the study makes it possible to study events, features, characteristics and situations relating to the current internal audit status of non-banking financial institutions under study and to make comparisons at a single point in time, thus during the period under review (Stamler, and Gabriel, 2010) Researchers ask questions about the views, attitudes, characteristics and behaviour of people in this type of descriptive survey study (Faisal, 2021). As respondents' perspectives, opinions and expectations are sought in regards to the internal audit functions, the current study considers that the implementation of cross-sectional descriptive survey research is acceptable. The design for the study is a quantitative paradigm which makes use of structured questionnaire to obtain data from respondents for which analysis are made using numerical values and generalize results to the entire population of the study.

Study Area

The Ashanti Region is located in south Ghana and it is the third largest of 16 administrative regions, occupying a total land surface of 24,389 km^2 (9,417 sq mi) or 10.2 percent of the total land area of Ghana. In terms of population, however, it is the most populated region with a population of 4,780,380 according to the 2011 census, accounting for 19.4% of Ghana's total population. The Ashanti Region is known for its major gold bar and cocoa production. The largest city and regional capital is Kumasi

Population for the Study

A study's population is the complete group of people that are of interest to the researcher. Douglas et al (2006). relates the population of study to the total universe of units from which the sample is selected. Indeed, it is justifiable to identify the research population as data collection may be expensive and that contacting large numbers of individuals or subjects for a study would only waste precious resources such as money and time if the same objective can be achieved by a representative sample. Because the study's ultimate result was supposed to be generalizable to the research population, population identification was required. The current study targeted a population size of twenty-two (22) non-banking financial institutions situated in the Ashanti Region, with average employees of nineteen (19) each, out of which a sample will be taken. Therefore, the sample is a set of individuals from the entire population who actually participate in the study (Fadzil, Haron & Jantan, 2005).

Sampling Procedure

According to Forbes, Evans, Hastings and Peacock (2010), sample size is the number of observations in a sample. It is commonly denoted by *n* or *N*. The study adopts the sample size formula for finite population proposed by Krejcie and Morgan (1970). With a population proportion of 50% and a confidence level of 95%, a sample size of 196 was appropriate for a finite or known accessible population of 400. Krejcie and Morgan argue that there is no need using sample size determination formula for 'known' population since the table has all the provisions one requires to arrive at the required sample size.

Data Collection Instruments

Questionnaires, interviews, focus group discussions, and participant observation are some of the methods used in data gathering, notably in the social sciences. Consistent with the notion that the methods and tools chosen depend largely on the extent to which they can fulfill the aim of the study and address the research questions raised (Holman & Axtell, 2016), the questionnaire proved to be the appropriate tools for data collection in this study.

The study made use of semi-structured questionnaire of the close-ended for issues relating to internal audit effectiveness and open-ended type to obtain data on financial performance indicators. The questionnaire, according to Babbie and Moutton (2001), is a set of written questions and/or statements that study volunteers must answer in order to give knowledge unique to a research topic. The Likert-scale type of questionnaire covered related areas of the internal audit practices whilst a format was used to record financial data from published financial statements of the selected institutions to assess their financial performance.

The Likert-scale type of questionnaire captured the independent variables. The 24-item Likert-scale type of questionnaire was put into sections where section A takes care of independence of internal audit, section B captures internal auditors' competence, section C covers management support aspects to assess internal audit effectiveness. Babbie and Moutton (2001) endorse the questionnaire as a series of written questions and or statements to be answered by the study subjects in order to provide knowledge specific to a research topic. This questionnaire was developed by the researcher as derived from the literature reviewed and was moderated by a supervisor.

Content and construct validity and reliability were assured. Validity explains the accuracy of measurements, (Nyewe & Booi, 2018). Reliability analysis involves the determination of the extent to which the measurement of a particular test is repeatable. To improve validity and reliability, the research instrument was subjected to close supervision by experienced supervisor and was then pre-tested on 5 respondents from different financial institutions within the vicinity but not included in the study. The pre-test allowed for verification, clarity and consistency after which corrections were made to arrive at the final set of data collection instrument.

In addition, to assess the internal accuracy of the data collection instrument, the Crombach Alpha (a) was computed for all parts of the Likert-scale questionnaire. According to Emory and Cooper (2003), the Alpha of Crombach is possibly the statistics most widely used to measure the reliability of a test. The computation yielded a coefficient of 0.983, 0.871 and 0.793 for sections B, C and D respectively which is considered very good per studies by (Babbie and Moutton, 2001) support that a Crombach's Alpha coefficient from 0.6 to 1.0 is appropriate for analysis.

Data Collection Procedure

Following clearance from the management of the selected institutions, a personal introduction was made to enable the researcher to explain the study's goal, as well as assure respondents of anonymity and solicit their participation. The questionnaires were given to respondents to respond to and allowed three days for collection whilst the researcher herself gathered financial performance data from published financial statements. The questionnaire administration was done right at the offices of respondents when they were at post. It is imperative to highlight the consent and approval of willing respondents were sought throughout the data collection process. Furthermore, discretion was applied to ensure that the administration of the questionnaires was in line with the regulations on ethical considerations set by the University.

Data Processing and Analysis

The raw data acquired from a study is meaningless unless it is transformed in order to meet the study's aims. Data analysis is condensing raw data into manageable bits, providing summaries, and generating statistical judgments. In the instance of this study, data from respondents as analyzed allowed for inferences to aid generalization of the study findings to the study population. To analyze quantitatively, responses from questionnaire administration were fed onto an analytical tool called the Statistical Package for Social Sciences (SPSS) version 16.0. This data analysis tool is supported by research (Zikmud, 2003) as appropriate to generate descriptive statistics in numerical values such as mean values and inferential statistics like ANOVA and regression coefficients to aid analysis and inferences which can be generalized to the research population.

Model Specification

The following regression model was specified and estimated to test the hypotheses formulated: The non-banking institution financial performance represented by ROE, ROA are used as the dependent variable whereas, independence of internal Audit, internal auditors' competency and management support are the explanatory variables. The estimated model used here is as follows:

$FP = \alpha + \beta_1 IIA + \beta_2 IAC + \beta_3 MS + \varepsilon$…….[1]

Where:

FP = Financial performance

IIA = Independence of Internal Audit

IAC = Internal Auditors' Competency

MS = management support

α = Constant (the intercept)

β = Regression coefficients

ε = Error term

Ethical Consideration

In order to ensure strict compliance with ethical standards of research, a clause was introduced in the introductory paragraph of the questionnaire which assured the respondents of anonymity and confidentiality. Specifically, respondents were informed that in the event that anything was published from this research, no information supplied would be identifiable to them since only aggregated data would be reported in this study. In addition, the time required for filling the questionnaire was mutually agreed between the respondents and the researcher, and respondents had the liberty to opt out of the survey at will without any consequences.

Chapter Summary

The chapter presented the methodological approach adopted in the study. The study adopted a descriptive survey method and was designed quantitatively. A four-point Likert-scale questionnaire was used to collect primary data on internal audit effectiveness whilst a predesigned format was also used to capture secondary data from published financial information on financial performance of the selected institutions. The data was analyzed using the analytical tool SPSS version 16.0, and regression analysis created inferential statistics (ANOVA) to determine correlations between the dependent (financial performance) and independent factors (internal audit effectiveness). The design did not allow for extensive explanation of the internal audit situation on the ground, but to avert the limitation adequate number of question items was used to cover a wide scope.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

The goal of the study was to see how effective internal audit functions are and how they affect the financial performance of non-banking financial organizations in Ghana's Ashanti Region. The data's outcomes obtained from 196 respondents are analysed in this chapter of the study report. The demographic parameters of the respondents were the starting point for the research and continued with the evaluation of the independence of the internal audit, the performance of the internal auditors and the internal audit effectiveness of the management support factor.

Another aspect of the data examined was the establishment of a relationship between internal audit effectiveness and financial success of non-banking financial institutions. The analysis is presented in line with the study objectives, making use of frequencies, percentages, mean as descriptive statistics and correlations, regression and analysis of variance (ANOVA) as inferential statistical tools.

Demographic Data of Respondents

The demographic data collected and analysed covered gender of respondents, age, marital status, academic and professional qualifications as well as audit experience. Data on gender is presented on Figure 1.

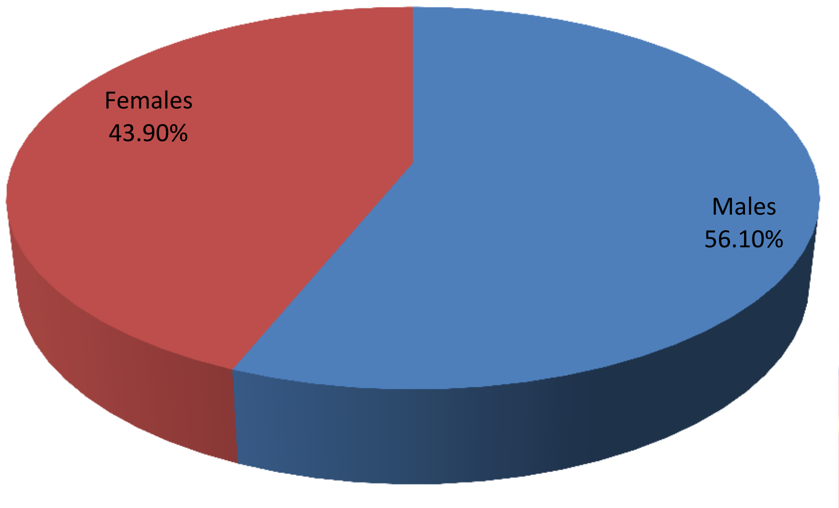

Figure 2: Gender Representation of Respondents

Source: Field Survey, (2022)

As shown on Figure 1, males in the current study are represented by 56.1% as against a minority of 43.9% of respondents who were females. Male respondents in the study area are more than their female counterparts but by a narrow margin of 12.2%. The demographic features of respondents also touched on the age categories. Data collected on respondents' age was presented on Figure 2 for further analysis and discussion.

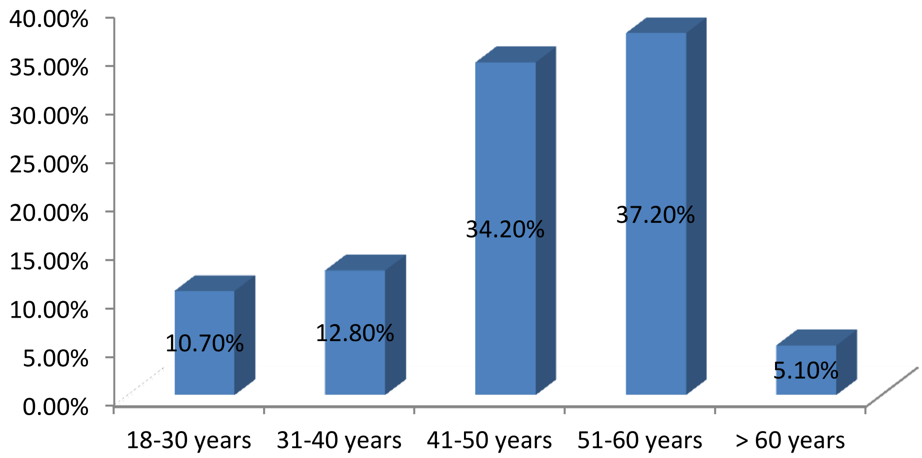

Figure 3: Respondents' Age Categories

Source: Field Survey (2022)

None of the groups takes a commanding majority but it can be observed that the youth of 40 years or less were represented by less than a quarter (23.5%) of the respondents. Rather, the adult group of 41 years and above held a majority of 76.5% including approximately 5 percent of them who are supposed to retire had they been working in the public service. Also captured on respondents' demography was their marital status for which results have been presented on figure 4 below.

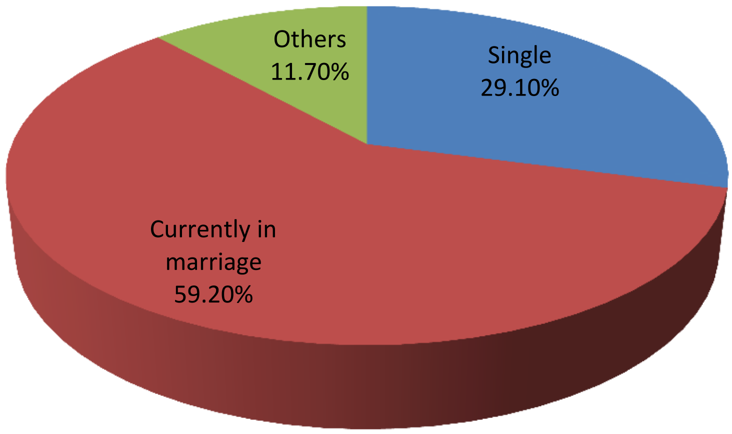

Figure 4: Respondents' Marital Status

Source: Field Survey (2022)

The group of respondents identified as single constituting 29.1% have not tasted marriage before, but respondents with spouses constitute the majority of 59.2%. The others group have tasted marriage before but are not currently in marriage, perhaps as a result of divorce or widowhood. Further on the socio-demographic features of respondents, the study examined their academic achievements and results were reported on Figure 5.

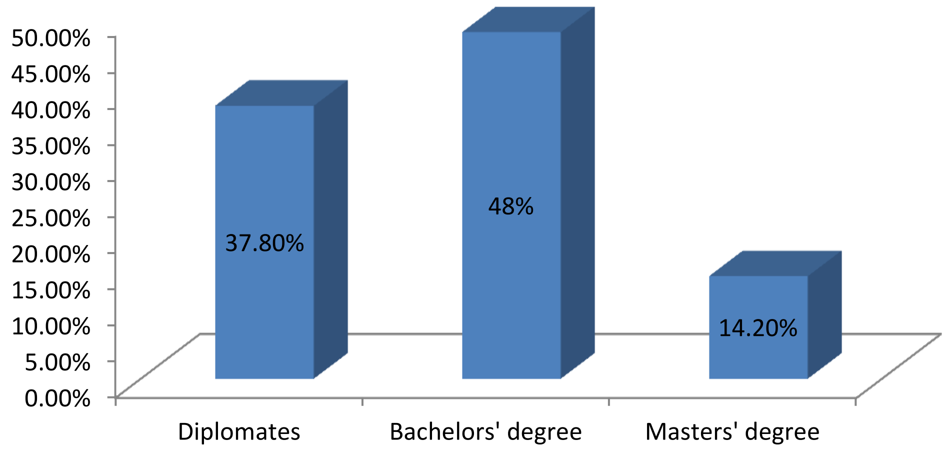

Figure 5: Respondents' Academic Attainment

Source: Field Survey (2022)

The academic achievement of respondents is encouraging given approximately 62% of those who have at least bachelors' degree and nearly two-fifth (37.8%) with a minimum level of diploma certificate. It was further recorded that some respondents hold professional qualifications as well. About 30% of the respondents held professional accounting or banking certificates in areas shown on Table 1.

Table 1: Respondents' Professional Qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	ICA	33	16.8	16.8	16.8
	ACCA	6	3.1	3.1	19.9
	CIB	18	9.2	9.2	29.1
	None	139	70.9	70.9	100.0
	Total	**196**	**100.0**	**100.0**	

Source: Field Survey (2022)

The academic and professional qualifications of respondents lend bases to suggest effective audit functioning among staff if given adequate support by management (Alzeban & Sawan, 2013).

Reliability Test

A four-point Likert scale was used to collect data for analyses of the study's important variables, and the questionnaire items' reliability was assessed. Cronbach Alpha (α) was computed to check the consistency of the data collection instrument used in the work. According to Emory and Cooper (2003), the most widely used statistics for estimating the reliability of a test is probably Cronbach's Alpha. The computation yielded reliability coefficients of 0.978 for the Likert scale questionnaire relating to audit staff competency, 0.977 for independence of internal audit, and 0.987 for management support factors that ensure effective audit functioning as indicated on the reliability statistics Table 2.

Table 2: Summary of Reliability Statistics

Item Means	Number of Items	Valid Cases	Cronbach's Alpha	Mean	Min.	Max.
Audit staff Competency	8	196	.978	2.732	2.112	3.107
Independence of internal audit	6	196	.977	2.649	2.230	3.036
Management support factor	7	196	.987	2.633	2.235	2.837

Source: Field Survey (2022)

According to research (Emory & Cooper, 2003), a Cronbach's alpha coefficient of 0.6 to 1.0 is sufficient to demonstrate the dependability of research instruments, but the higher the number, the better. Cronbach's Alpha values of 0.978,.977, and 0.985 were thus adequate for this study.

To Assess the Independence of Internal Audit that Ensures Effective Functioning

Among the measures to determine effective functioning of internal audit is their independence, which is part of the assessment in the current study. Respondents were required to indicate the extent of their agreement with four-point Likert scale questionnaire items (statements) anchored “strongly agree” (4), “agree” (3), “disagree” (2) and “strongly disagree” (1). Following the advice of Nnenna (2012) in which ratings of the 4-point Likert scale were used to calculate expected mean response as: (4+3+2+1) ÷ 4 = 2.5. Table 3 presents a summary of mean responses gathered for the study. For the purpose of this analysis therefore, an average response of 2.5 and above was taken as the decision rule to suggest what is generally accepted as pertaining to their organizations of work.

Table 3: Descriptive Statistics on Internal Audit Independence

	N	Minimum	Maximum	Mean	Std. Deviation
Easy access to documents	196	1	4	3.02	1.005
No management interest beyond standards	196	1	4	2.31	1.037
No management interference in audit work	196	1	4	2.23	.994
Audit scope, time and extent are based on standards	196	1	4	2.92	1.114
Free to report audit findings	196	1	4	2.38	1.024
Adequate powers formulating audit plan	196	1	4	3.04	.825
Valid N (listwise)	196				
Grand Mean	196			2.65	

Source: Field Survey (2022)

As observed in Table 3, access to documentations in the operations of the selected institutions was affirmed by respondents proven with a mean value of 3.02. The result suggests and corroborates findings in Aghaei Chadegani, Muhammaddun Mohamed, and Jari, (2011) and Bouaziz (2012) that internal audit departments in financial institutions can adequately access information from other departments to facilitate their oversight responsibilities. According to Bouaziz (2012), access to and scrutiny of all documentations regarding financial matters are vital internal control practices that strengthen internal audit effectiveness.

Also noted as determinants of internal audit independence are the affirmative responses (2.92) that the internal audit departments in the study area are made to determine the scope of audit, the time and the extent of audit based on audit standards. Similarly, it has been observed that internal auditors have adequate powers to formulate audit plans as indicated by a mean response value of 3.04. Nonetheless, Dittenhofer (2009) had a similar observation where internal audit department formulated their audit plan but were sometimes limited by the management on the extent of audit work.

Rather on the lower side, a few respondents could affirm the assertion that there is no management interference in internal audit work. This then implies that there is a common experience of management interference in internal audit functions, perhaps encouraging frequent neglect of some scrutiny as reported in (Getachew, 2016). The observation seems to reflect respondents' view that management show some interest beyond audit standards, reported with a minimal mean value of 2.31. In such circumstances, management unduly influence internal audit practices and that tend to dilute the extent of audit independence required to ensure efficiency and effectiveness of internal audit (Getachew, 2016).

Once it is earlier on established that management interferes in internal audit work, the low mean value of 2.38 suggesting that internal audit departments are limited in their freedom to report audit findings is apparent. In cases where internal audit independence is impaired by management interference, the quality of internal audit report is adversely affected and subsequently lowers internal audit effectiveness (Badara, 2012).

In summary, the results here present a grand mean response value of 2.65 which is above the expected average response and thus indicates that the internal audit departments in the selected financial institutions have a reasonable degree of independence. This then signals a positive indication of internal audit effectiveness that ensures sound internal control practices towards enhanced financial performance of the organizations.

To Assess the Competence of Internal Auditors as a Determinant of Internal Audit Effectiveness

Researchers see competency of internal auditors as one of the critical factors that determine the quality of internal audit work performed in an organization. Alhassan (2018) and Bouaziz (2012) argue that as measures of internal audit effectiveness, internal auditors must possess sufficient expertise, skills, attitudes, and dedication. Data on the competency side of measuring internal audit effectiveness chosen for assessment in this study have been displayed in Table 4 for analysis, once again following an average response of 2.5 as the decision rule to suggest what is generally accepted as pertaining to their organizations of work.

Table 4: Descriptive Statistics on Auditors' Competency

items	N	Minimum	Maximum	Mean	Std. Deviation
Adequate academic qualification	196	1	4	3.03	.947
Staff size and skill match operations	196	1	4	2.68	.813
High professional knowledge in audit software	196	1	4	2.11	.916
Use of modern technology in auditing	196	1	4	2.77	.920
Auditors relate organization to application of controls	196	1	4	2.31	1.227
Effective communication between auditors and auditees	196	1	4	3.11	1.064
Complete audit procedures and write evidence on time	196	1	4	3.10	.926
Auditors are adequately aware of risk management strategies	196	1	4	2.77	.909
Valid N (listwise)	196				
Grand Mean	196			2.74	

Source: Field Survey (2022)

On the grounds of mean responses, it is observed in Table 4 that most of the audit staffs in the selected organizations have adequate academic qualification confirmed with a mean response of 3.03. This indeed confirms the academic qualifications disclosed under the demographic study where the minimum qualification was a diploma certificate with some masters' degree holders. According to Getachew, (2016) audit competency is linked to proper and timely auditing based on the amount of education, professional experience, and staff commitment to continued professional development.

It was also gathered that audit staff size and skills match their operations (2.68), similar to the findings in Bouaziz (2012) who concludes that internal audit can effectively perform its duties in organizations where there are sufficient internal audit staff with the required competencies. Although respondents affirmed the use of modern technology in auditing with a mean response of 2.77, the study establishes that auditors lack high professional knowledge in the audit software (2.11). Evidence in Olaoye and Ogundipe (2018) on the use of audit software among non-banking financial institutions is corroborated in this study.

Other areas established as improving audit effectiveness included effective communication between auditors and auditees (3.11), staff ability to complete audit procedures and write evidence on time (3.10), and auditors' adequate awareness of risk management strategies (2.77). Rather on the least side of improving audit effectiveness were auditors relating their organizations to application of controls. This seems to suggest that the audit staff in the current study show lapses in internal control systems in areas such as segregation of duties, and compliance with respect to authorization and approval principles. The observation here is at variance with the findings in (Getachew, 2016). Overall, the grand mean value of 2.74 suggests an appreciable level of competence amongst the audit staff in the study area.

To Evaluate the Management Support Factor of Internal Audit Effectiveness

The current study sided with some prior researches (Vadasi et al., 2019; Orazalin, 2019) that internal audit cannot be effective as expected when it does not wield the maximum support of management. With this in mind, the management support systems to ensure internal audit effectiveness was assessed and had results presented in Table 5.

Table 5: Descriptive Statistics on Management Support for Audit Effectiveness

	N	Minimum	Maximum	Mean	Std. Deviation
Full cooperation and access to information	196	1	4	2.73	1.087
Regular in-service training on skills and updates	196	1	4	2.32	.978
Adequately react to audit report	196	1	4	2.23	1.041
Adequate budget for staff education	196	1	4	2.78	1.001
Direct contact with Board and Management	196	1	4	2.84	1.045
Adequate representation on meetings and conferences	196	1	4	2.82	1.174
Clear policy and legislation on audit roles and authorities	196	1	4	2.70	1.183
Valid N (listwise)	196				
Grand Mean	196			2.63	

Source: Field Survey (2022)

It is observed from Table 5 that internal auditors enjoy full cooperation of management and thus have access to relevant information (2.73) similar to affirmative response of 2.7 indicating that management gives clear policy and legislations on audit roles. Respondents also declared their adequate representation on meetings and conferences (2.82), have direct contact with Board of directors and management (2.84). Management setting clear policy and legislations on credit roles and full representation on meetings are often established in contemporary studies Hazaea et al., (2020; Miettinen (2011), but Nsaiah-Boateng et al., (2016) reported difficulties accessing relevant information for audit purposes, at variance with the current observation.

Reports of internal audit departments having direct contact with board of directors / management and having adequate budgetary support from management (2.78) as gathered in this study corroborate the findings in Aikins (2011). However, most respondents (74%) felt disappointed with insufficient budgetary support. Areas of minimal support from management included skills in-service training for auditors (2.32) and management readiness to favourably react to internal audit report presented to them (2.23).

Lack of in-service training for internal audit staff seems to be a common area challenging the effectiveness of internal audit functioning identified in academic researches typically in Ghana (Ziniyel, Otoo & Andzie, 2018) and other developing countries as reported in Ondieki (2013) in Kenya. In summary, management support for internal audit effectiveness has been rated fairly high with a grand mean response value of 2.63, perhaps with the high complement of auditors' direct interaction with management and the board of directors of organizations.

To Establish the Relationship between Internal Audit Effectiveness and the Financial Performance

An assessment of possible relationship between internal audit effectiveness and the financial performance of financial institutions requires an understanding of financial performance measures such as Return on Assets (ROA) and Return on Equity (ROE) chosen for this study. From the thirteen (13) non-banking financial institutions selected, data was gathered from published audited financial statements on the firms' net income, shareholders equity and total assets to determine ROE and ROA. Data gathered for analysis was as presented on Table 6.

Table 6: Financial Performance Records

Institutional Code	Net income	Shareholders' equity	Total Asset	Return on Equity (ROE)	Return on Asset (ROA)
1	11,116	18,100	65,621	0.61	0.17
2	168,553	139,345	672,589	1.21	0.25
3	12,434	37,489	326,819	0.33	0.04
4	1,825	27,719	298,849	0.07	0.01
5	8,577	25,270	141,692	0.34	0.61
6	1,013	25,280	52,088	0.40	0.02
7	8,880	70,338	401,203	0.13	0.22
8	6,967	26,431	31,110	0.26	0.22
9	20,389	33,506	36,328	0.61	0.56
10	55,801	77,472	313,416	0.72	0.18
11	1,111	17,735	57,168	0.06	0.02
12	12,434	27,430	219,018	0.45	0.06
13	9,579	10,990	301,124	0.87	0.03
Average				0.47	0.18

Source: Field Survey (2022)

The average performance as regards ROE for the selected institutions stood at 0.47 whereas that for ROA stood at 0.18 from the immediate past financial records of the 2018 financial year. It can be observed from Table 6 that of the institutions coded 1-13, five of them (coded 1, 2, 9, 10 and 13) had above average performance with institutional code 2 showing the highest performance of 1.21 for Return on Equity. This implies that about 38.5% of the non-banking financial institutions performed above average whilst 61.5% of them performed below average in respect of ROE.

For the purpose of investment however, studies (Jones *et al*., 2000; Coetzee & Erasmus, 2017) establish that ratios of 0.15 to 0.20 for ROE is ideal. Following this assertion, the average ROE performance level of 0.47 from the selected institutions can be described as very good, except for some individual institutions coded 4, 7 and 11 which performed below the suggested minimum ratio of 0.15. It can generally be expressed that majority of about 77% of non-banking financial institutions in Kumasi Metropolis adequately generate income from the equity capital injected by shareholders into the organization, and in fact renders the organizations attractive to investors (Coetzee & Erasmus, 2017), but at variance with Bouaziz's (2012) findings in Tunisia for financial institutions.

The assessment of Return on Assets (ROA) as a measure of financial performance also displayed an average of 0.18. Apparently, eleven (11) out of thirteen (13) selected institutions performed above average whilst four (4) of them had below average performance. In the description of Brown et al. (2010), ROA is an indicator of how well an organization utilizes its assets, comparing with similar organizations or comparing to its own previous performance. Upon research support (Brown et al. 2010; Yee et al., 2017), ROAs over 0.05 (5%) are generally considered good, eight out of the selected thirteen (13) institutions in the current study had a good performance above the empirically proven 5% performance level. Data on Table 6 therefore depicts that nearly 62% of financial institutions in the study area have good performance as far as Return on Assets (ROA) is concerned.

To Establish the Relationship between Internal Audit Effectiveness and the Financial Performance

The study further assessed the relationship between internal audit effectiveness and financial performance of non-banking financial institutions, concentrating on ROA and ROE. Regression analysis was then run for internal audit competence (as a component of audit effectiveness) and financial performance and had the summary as shown in Table 7.

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.952[a]	.906	.902	.228

a. Predictors: (Constant), Auditors competency

b. Dependent Variable: Financial performance (ROA, ROE)

Source: Field Survey (2022)

Table 7 shows the summary of the regression analysis that seeks to establish the relationship between internal audit competency and financial performance. The variance ratio in the dependent variable – financial performance – explained by fluctuations in the independent variables is measured by the R-

Square coefficient of determination. With an adjusted R-squared of 0.902 percent, it means that audit competency cause about 90.2% of the variations in the financial performance of non-banking financial institutions. To measure the level of significant relationship, an analysis of variance (ANOVA) was also run and had the results on Table 8.

Table 8: Analysis of Variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	94.050	8	11.756	225.208	.000[a]
	Residual	9.762	187	.052		
	Total	103.811	195			

a. Predictors: (Constant), Internal audit competency
b. Dependent Variable: Financial performance (ROA, ROE)
Source: Field Survey (2022)

Measuring on a 95% confident internal and a 5% (0.05) margin of error, an F-value of 225.208 with a significance value of $p = 0.000$ established show that there exists a significant relationship between internal audit competence and the firms' performance in financial performance (ROA and ROE). Similar observation was made in Brown *et al.*'s (2010) but the level of significant was a bit low at 0.049.

Test of Hypothesis 1

Having obtained an F-value of 225.208, there is adequate evidence to accept hypothesis H_1 which states that "*there is a positive correlation between internal auditors' competence and the financial performance of the non-banking financial institutions*". It does not, however, show the degree to which any independent variable is linked to financial success. The magnitude of the independent coefficients was then compared to determine whether one had larger impacts on performance, as shown in Table 9.

Table 9: Correlation Coefficients

		Unstandardized Coefficients		Standardized Coefficients		
	Model	B	Std. Error	Beta	t	Sig.
1	(Constant)	.378	.073		5.150	.000
	Adequate academic qualification	-.194	.072	-.251	-2.683	.008
	Staff size and skill match operations	-.059	.067	-.066	-.887	.376
	High professional knowledge in audit software	-.004	.043	-.005	-.089	.929
	Use of modern technology in auditing	.126	.066	.159	1.901	.059
	Auditors relate organization to application of controls	.043	.036	.072	1.173	.242
	Effective communication between auditors and auditees	.638	.051	.931	12.516	.000
	Complete audit procedures evidence on time	.180	.069	.229	2.629	.009
	Auditors adequately aware of risk management strategies	-.087	.075	-.109	-1.161	.247

a. Predictors: (Constant), Internal audit competency
b. Dependent Variable: Financial performance (ROA, ROE)

Source: Field Survey (2022)

It can be seen from Table 9 that effective communication between auditors and auditees has the greatest positive influence on performance. Apparently, four (4) measuring items (use of modern technology, relating organization to application of controls, effective communication, and completing audit procedures and reporting evidence on time) showed positive effects on financial performance of the studied firms. This means that, if other things remain constant, a unit increase in any of these measuring items will result in increased financial performance by their respective margins. Except for effective communication which was seen to have negative relationship with financial performance, the findings here are synonymous to the findings in (Motubatse, Barac, & Odendaal, 2015) Adequate academic qualification, staff size and skill, professional knowledge in audit software and auditors' awareness of risk management strategies would however lead to decrease in financial performance by their respective margins, should other factors be held constant. Regression analysis was again run for internal audit independence (as a component of audit effectiveness) and financial performance and had the summary as shown in Table 10.

Table 10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.917[a]	.841	.836	.344

a. Predictors: (Constant), Internal audit Independence
b. Dependent Variable: Financial performance (ROA, ROE)

Source: Field Survey (2022)

The R-square value of 0.836 means that audit competency causes 83.6% of the changes in the financial performance of non-banking financial institutions.

The F-value of 166.921 depicts a positive relationship between internal audit independence and financial performance of non-banking financial institutions. To determine the level of significance however, an ANOVA statistic was run and shown in Table 11.

Table 11: Analysis of Variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	118.405	6	19.734	166.921	.000[a]
	Residual	22.345	189	.118		
	Total	140.750	195			

a. Predictors: (Constant), Internal audit independence
b. Dependent Variable: Financial performance (ROA, ROE)

Source: Field Survey (2022)

Test of Hypothesis 2

Given the Pearson significant correlation of p=0.000 measure on 0.05 level of significance, the hypothesis H_1 that "*the independence of internal audit significantly impacts on the financial performance of the non-banking financial institutions*" can be accepted. Determining the extent to which each variable affects performance, correlation coefficients was also run and had the results in Table 12.

Table 12: Coefficients of Correlation

		Unstandardized Coefficients		Standardized Coefficients		
	Model	B	Std. Error	Beta	t	Sig.
1	(Constant)	-.191	.116		-1.641	.102
	Easy access to documents	-.020	.094	-.024	-.219	.827
	No management interest beyond standards	.017	.107	.020	.156	.877
	No management interference in audit work	.224	.106	.262	2.106	.036
	Audit scope time and extent based on standards	.299	.080	.392	3.732	.000
	Free to report audit findings	.179	.076	.215	2.346	.020
	Adequate powers formulating audit plan	.101	.082	.098	1.228	.221

a. Predictors: (Constant), Internal audit Independence
b. Dependent Variable: Financial performance (ROA, ROE)
Source: Field Survey (2022)

Except for easy access to documentation which negatively affects performance, all other measuring variables of internal audit independence show positive effects on financial performance of non-banking financial institutions. Apparently, the situation where audit scope, time and extent are based on audit standards had the greatest positive influence of 29.9% on performance. It can therefore be stated that Management support as a predictor variable was also assessed for its contribution to financial performance with eight measuring items and had the summary of regression analysis displayed in Table 13.

Table 13: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.908[a]	.824	.817	.292

a. Predictors: (Constant), Management support for Internal audit
b. Dependent Variable: Financial performance (ROA, ROE)

Source: Field Survey (2022)

Once again, the R-square value of 0.817 implies that management support to ensure internal audit effectiveness causes 81.7% of the changes in the financial performance of non-banking financial institutions. To ascertain the level of significance of the regression, an ANOVA statistic was run and showed the results in Table 14.

Table 14: Analysis of variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	74.922	7	10.703	125.466	.000[a]
	Residual	16.038	188	.085		
	Total	90.959	195			

a. Predictors: (Constant), Management support for Internal audit
b. Dependent Variable: Financial performance (ROA, ROE)

Source: Field Survey (2022)

An F-significance value of p = 0.000, which is less than the 0.05 margin of error utilized in our measurement, was found, indicating that there is a 0.0 percent chance that the regression model will produce misleading data. As a result, the model holds a lot of weight.

Test of Hypothesis 3

The ANOVA statistics helps to test hypothesis H_1, that "*there is statistically significant relationship between management support factor of internal audit and financial performance of the non-banking financial institutions*". Given the statistically significant of $p<0.05$, there is adequate grounds to accept the hypothesis. Further analysis to determine individual contributions to management support towards financial performance was done with correlation coefficients as shown on 15.

Table 15: Correlation Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.673	.071		9.535	.000
	Full cooperation and access to information	-.113	.107	-.180	-1.063	.289
	Regular in-service training on skills and updates	.051	.079	.072	.639	.524
	Adequately react to audit report	-.121	.074	-.184	-1.628	.105
	Adequate budget for staff education	.470	.081	.689	5.771	.000
	Direct contact with Board and Management	.072	.075	.110	.955	.341
	Adequate representation on meetings and conferences	.384	.081	.660	4.765	.000
	Clear policy and legislation on audit roles and authorities	-.150	.086	-.259	-1.744	.083

a. Predictors: (Constant), Management support for internal audit
b. Dependent Variable: Financial performance (ROA, ROE)
Source: Field Survey (2022)

Observed from Table 15, cooperation and access to information, management reaction to audit report, and clear policy and legislation on audit roles and authorities lead to decrease in financial performance should all other factors remain constant. Nonetheless, regular in-service training on skills and updates, adequate budget for staff education, auditors direct contact with board and management, and adequate representation on meetings and conferences rather lead to increase financial performance should other factors remain constant. Adequate budget for staff education component of management support towards performance depicts the highest positive contribution of 0.470 towards non-banking financial institutions' financial performance.

In summary, all the aspects of internal audit effectiveness in respect of internal audit competency, audit independence and management support have shown positive and significant associations with financial performance (ROA and ROE) on non-banking financial institutions. Summary of regression analysis for audit effectiveness is displayed in Table 16.

Table 16: Audit Effectiveness and Financial Performance Relationship

Models (Audit effectiveness)	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
Audit competency	.952[a]	.906	.902	.228	225.208	0.000
Audit independence	.917[a]	.841	.836	.344	166.921	0.000
Management support	.908[a]	.824	.817	.292	125.466	0.000

Source: Field Survey (2022)

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter aims at presenting the summary, key findings, conclusions, and recommendations of the study. The summary presents a brief overview of the study problem, objectives, research methods as well as the analytical techniques employed. The key findings section focuses on the summary of the main findings of the study. On the other hand, the conclusions summarise the overall outcomes and implications regarding the findings of the study with cognisance of the research objectives. The recommendations also present specific suggestions to be applied by specific concerned individuals and institutions, based on the findings. The chapter closes with suggestions for further research.

The contribution of the financial system to the economic development of a country in recent times is enormous and cannot be underrated. Financial institutions, whether banking or non-banking, are financial intermediaries accepting deposits and channelling those deposits into lending activities. Thus, it's imperative to assess the effectiveness of internal audit and its relatedness with financial performance of non-banking financial institutions. The specific objectives the study sought to achieve were: one, the first research objective sought to assess the independence of internal audit to ensure its effective functioning in the non-banking financial institutions. Two, the second research objective sought to assess the competence of internal auditors as a determinant of internal audit effectiveness. Three, the third research objective sought to evaluate the management support factor of internal audit effectiveness. Finally, the fourth objectives sought to establish the relationship between internal audit effectiveness and the financial performance of the non-banking financial institutions in Ashanti Region.

To achieve the foregoing objectives, the explanatory research design, in the light of the quantitative research approach, was employed. The survey strategy was used to collect data from the study participants. All the 196 structured questionnaires were fully filed by the participants and were retrieved. The data collected were analysed using both descriptive and inferential statistical tools. Specifically, descriptive statistics such as frequency, percentage, mean and standard deviation; inferential statistics, such as the Pearson product-moment correlation and regression techniques, were used to analyse the data and test the hypotheses formulated. The following section presents summary of key findings.

Summary of Key Findings

Following the research questions, the findings were presented as follows:

How Independent is the Internal Audit of Non-banking Financial Institutions?

The study disclosed that the institutions have reasonable level of independence which signals a positive indication of internal audit effectiveness that ensures sound internal control practices towards enhanced financial performance. The internal audit independence is enhanced by auditors' easy access to documents basing audit scope and time on audit standards and the extent of powers to formulate audit plan.

What is the Level of Internal Auditor's Competence in Non-banking Financial Institutions?

An appreciable level of internal auditors' competence was found, affirmed by about 55% of respondents. This was as a result of high academic qualification, adequacy of audit staff and their skills that match audit operations. Again, internal auditors were found to be using modern audit technology, and have effective communication with auditors. The internal auditors were noted to complete audit procedures and report on time and as well demonstrate adequate awareness of risk management strategies.

To what Extent does Management Support Ensure Internal Audit effectiveness of Non-banking Financial Institutions?

Management support for internal audit effectiveness can be rated fairly high with a grand mean response value of 2.63, measured on a five-point Likert scale. This was complemented by auditors' direct contact with board of directors and management, full corporation and access to information and adequate budgetary allocation for audit staff education. Other support system found to have induced management support included adequate representation of internal audit on organizational meetings and conferences.

What is the Relationship between Internal Audit Effectiveness and Financial Performance of Non-banking Financial Institutions?

Usually, investors consider ROE ratio of 0.15 to 0.20 and 0.05 for ROA as ideal. Upon this assertion, the average performance of 0.47 for ROE and 0.18 for ROA suggest a good financial performance of the institutions. The study found strong positive relationship (0.902) between internal audit competency, as a component audit effectiveness, and financial performance of non-banking financial institutions significant at $p<0.01$ on a Pearson correlation measure of $p = 0.05$.

Internal audit independence was also found to be positively related to financial performance showing 83.06% of variations in financial performance of the organizations, significant at $p<0.01$. Similarly, the study establishes that management support for internal audit effectiveness cause about 81.7% of changes in financial performance of non-banking financial institutions and highly significant ($F = 125.466$, $p<0.01$).

Conclusion

It is concluded from the findings herein that:

1. The internal audit department of non-banking financial institutions in Ashanti Region have appreciably high level of independence, competence, and management support. These observations suggest effective internal audit functioning among the organizations.
2. Financial performance in terms of ROE and ROA are rated very high as they rank above investor preference rate as established in contemporary literature.
3. Internal auditors' competency and non-banking financial institutions' financial performance have a positive relationship.. However, the individual impacts of staff size and skill and professional knowledge in audit software were highly insignificant.

4. The independence of internal audit significantly impact on the financial performance of the non-banking financial institutions. That notwithstanding, auditors' easy access to documents, management interest beyond audit standards, and adequacy of powers to formulate audit plan disclosed insignificant impact of financial performance.
5. There is statistically significant relationship between management support factor of internal audit and financial performance of the non-banking financial institutions. Nonetheless, management corporation, in-service training, management reaction to audit reports did not show significant impact on financial performance.
6. It can generally be concluded that internal audit effectiveness have positive and significant impact on financial performance of non-banking financial institutions.

Recommendations

Following from the study findings and conclusions made, it is recommended that:

1. Having established positive and statistically significant association between internal audit effectiveness and financial performance of non-banking financial institutions, it is recommended that board and management of the institutions to strictly adhere to strategies that ensure internal audit competence, independence and management support systems.

2. Particularly, it is recommended for board and management of non-banking financial institutions to maintain adequate audit staff size. To further improve on staff competence, staff skills and professional knowledge in audit software must be stepped up jointly by management and staff.
3. For heightened internal audit independence, it is also recommended for management to encourage all departments in the organizations to avail relevant documents for use by internal auditors. Management's interest beyond audit standards must be discouraged and allow adequate powers for internal audit to formulate audit plan.
4. Human resource policies and strategies to regularly organize in-service training for staff efficiency and productivity must be adequately supported by management and board of directors. Management's attitude of non-response or non-reactive to internal audit report should be discouraged. Without reacting favourably to internal audit reports by management, recommendations for corrective measures could be disregarded. This adversely affects internal audit effectiveness and the level of financial performance would also be slimmed down.

Suggestion for Further Study

It is recommended for a future study into the impact of internal audit effectiveness on other non-financial performance of financial institutions within Ashanti Region of Ghana.

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APPENDIX A

UNIVERSITY OF CAPE COAST

COLLEGE OF HUMANITIES AND LEGAL STUDIES

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNT

QUESTIONNAIRE FOR DATA COLLECTION

I am **Victoria Mansah Papanko**, pursuing a postgraduate program at ***the University of Cape Coast (UCC)*** leading to the award of ***Master of*** **............................** This questionnaire intends to collect data to help the researcher examine **Internal audit effectiveness and financial performance of non-banking financial institutions in Ashanti Region of Ghana**. Please, you have been chosen as a respondent for this questionnaire. Could you spare me a few minutes to complete this questionnaire? It is strictly for academic purposes and thus all information provided will be treated with the maximum caution and confidentiality. All personal data provided will be treated collectively and not on personal levels. Please, tick (√) as appropriate.

Section A: Demographic characteristics of Respondents

1. Gender: Male [ ] Female [ ]
2. Age categories: 18-30years [ ] 31-40years [ ] 41-50years [ ]
   51-60years [ ] 56-60years [ ]
3. Marital status: Single [ ] Currently married [ ] Others [ ]
4. Educational qualification: Secondary [ ] Diploma [ ] Bachelors' degree [ ]
   Masters' degree [ ]

5. Audit experience: 1-5 years [ ] 6-10years [ ] 11-15years [ ]

   20-25years [ ] 26+ years [ ]

6. Professional qualifications, if any: ICA [ ] ACCA [ ] CIMA [ ]

   Others, (specify) ………………………

Section B: Independence of Internal audit for effective functioning

Please indicate the extent of your agreement by a tick (√), which of these factors you think influence the independence of internal audit in your firm towards internal audit effectiveness? The options are scaled: Strongly agree, Agree, Disagree, and Strongly disagree.

Statement	Strongly agree	Agree	Disagree	Strongly disagree
7. I have easy access to documents from all departments and workers in the organization				
8. I objectively examine auditing issues for reliable audit evidence with no management interest beyond auditing standards & values				
9. I perform auditing activities without any interference or influence from management				
10. I freely decide the scope, time and extent of auditing procedures based on auditing standards and organizational policy				
11. I feel free to include any audit finding in my audit work and report directly to responsible body.				
12. Head of audit has adequate powers in establishing internal audit plans				
13. The level of internal audit independence enhances financial performance of this organization				

Section B: Competency of Internal auditors for effective functioning

Please indicate the extent of your agreement by a tick (√), which of these factors suggest internal auditors competency in your firm to foster their effectiveness? The options are scaled: Strongly agree, Agree, Disagree, and Strongly disagree.

Statements	Strongly agree	Agree	Disagree	Strongly disagree
14. Internal auditors have adequate academic education				
15. The internal audit staff number & their skill match the scope of internal operations				
16. The professional knowledge of internal auditors is high				
17. Internal audit is performed with modern technology that uses computerized data tools				
18. Internal auditors possess the ability to relate the organizations to the application of controls in operational areas				
19. There is effective communication between internal auditors and auditees				
20. The audit procedures and evidence collections are completed on time				
21. Internal audit staff have adequate awareness of risk management strategy				
22. The competency of internal auditors enhances financial performance of this organization				

Section D: Management support for effective Internal audit

Please indicate the extent of your agreement by a tick (√), which of these pertain in your firm to suggest management support for internal audit effectiveness? The options are scaled: Strongly agree, Agree, Disagree, and Strongly disagree.

Statement	Strongly agree	Agree	Disagree	Strongly disagree
23. Full cooperation and access to records and information				
24. Regular in-service training to improve on skills and update with the field.				
25. Management adequately react to internal audit reports				
26. Adequate budget for certification to have relevant education in auditing				
27. Head of internal audit has direct contact to the board of directors and senior management				
28. Internal auditors are presented at meetings and conferences				
29. There is clear policy and legislations that define the roles and authorities of internal auditors				
30. The management support systems enhance financial performance of this organization				

Section E: Schedule of Financial Performance Indicators/Measures (2018 financial year)

Inst.	Key Financial Performance indicators/ Measures						
	Total Operating Income	Net Income	Shareholders' Equity	Total Asset	Return on Equity (ROE)	Return on Asset (ROA)	Net Profit Margin (NPM)
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
Average							

List of Selected Non-banking Financial Institutions

1. Savings and Loans Company Ltd.
2. Bond Savings and Loans Ltd.
3. Best Point Savings and Loans Ltd.
4. Bayport Savings and Loans Plc.
5. Direct Savings and Loans Ltd.
6. Golden Link Savings & Loans Ltd.
7. Izwe Savings and Loans Ltd.
8. Multi Credit Savings & Loans Co. Ltd.
9. Opportunity International Savings and Loans Co. Ltd.
10. Pacific Savings & Loans Co. Ltd.
11. SIC Life Savings and Loans Ltd.
12. Sinapi Aba Savings and Loans Company Ltd.
13. Utrak Savings and Loans Ltd.