Internal Audit and Financial Management in Akure South Local Government, Ondo State

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ABSTRACT

The main purpose of the research is to examine the effect of internal audit on financial management of Local Government. Specifically, the study examined the relationship between internal audit quality and the effectiveness of financial management, the relationship between internal audit time cycle and the effectiveness of financial management and the joint effect of audit quality and audit time cycle on the financial management in Akure South Local Government Councils. Employing a self-structured questionnaire, data were collected from a sample of 91 respondents affiliated with the Akure South Local Government Council. Three hypotheses were formulated and tested using the Ordinary Least Squares estimation technique. The study revealed a significant and positive relationship (r = .956, p = 0.000) between Audit Quality (AUQ) and financial management. The study also revealed a positive and significant association (r = .898, p = 0.000) between Audit Time Cycle (ATC) and financial management. Additionally, the findings underscored that AUQ and ATC jointly significantly influence financial management (F = 475.802, p = 0.000). The homogeneity of variable variances was confirmed and a cronbach Alpha test of the reliability of the data which yielded an impressive value of .974. In conclusion, the research has underscored the pivotal role that these factors played in shaping the financial landscape of the council and their individual relationships with financial management. Based on these findings, the study recommends that, the council should prioritize and invest in maintaining a high level of audit quality. Secondly, continuous training and capacity-building programs for staff of the internal audit are imperative. These programs will enhance their adaptability to evolving regulations and best practices. For further study, more Methodological work is needed on how to robustly capture the effect of internal audit on Financial Management using others variables in auditing

Keywords: Internal Audit, Audit Quality, Audit Time Cycle, Effective Financial Management, Akure South Local Government Council.

INTRODUCTION

In the past, the role of internal audit was predominantly confined to administrative tasks such as document verification, asset counting, and historical event reporting for managerial purposes. However, recent developments have ushered in a transformation of internal audit practices across both private and public sectors (Nwaobia, Ogundajo & Theogene, 2016). In contemporary democratic societies, governments and their entities are under increasing pressure to exhibit accountability in their utilization of public funds and to deliver efficient and effective services to their constituents. To meet these expectations, governments have formulated strategies, one of which involves harnessing the potential of internal audit as a governance tool to proficiently manage and attain their objectives (Cohen & Sayag, 2010).

According to Ziniyel, Otoo and Audzie, (2018) internal auditing constitutes a foundational element of effective financial management within public institutions. It plays a pivotal role in ensuring streamlined operations, the implementation of appropriate controls derived from audits, and the realization of organizational goals. Similarly, Al-Matari, Al-Swidi and Fadzil (2014) underscores the significance of the internal audit function within firms, positioning it as a critical component of accounting systems that aids in the evaluation of departmental operations. Conversely, according to Feizizadeh (2012), the scope, functions, and roles of internal auditing have evolved to encompass a broader focus on management-oriented concerns rather than exclusively accounting-related matters. This shift has prompted alterations in reporting structures within internal audit functions, with several countries restructuring their internal audit systems (Hellman, 2011).

According to The Institute of Internal Auditor (2016), internal auditing stands as an independent and objective activity aimed at providing assurance and consultation to enhance an organization's operations. This function contributes to organizational objectives by employing a systematic and disciplined approach to assess and enhance risk management, control, and governance processes. Meanwhile, the primary aim of conducting internal audits is to identify and investigate common deficiencies that contribute to suboptimal organizational performance. Drawing on their independent professional judgment, internal auditors can subsequently offer recommendations to rectify any shortcomings and enhance efficiency and effectiveness in the public sector (Alashe & Bello, 2021).

Furthermore, Alashe and Bello (2021) highlights how the responsibility for impartial inspections and the validation of diverse foundational operations has progressively contributed to enhanced organizational performance, as overseen by internal auditors. This fosters an environment in which companies can achieve operational objectives by evaluating and enhancing risk management, establishing effective controls, and refining management practices. A widely held belief posits that the implementation of internal auditing within an organization leads to improved financial management (Ahmad, 2018). Furthermore, it is commonly assumed that a well-established internal audit system contributes to improved reporting processes and the production of trustworthy reports, thereby reinforcing managerial accountability. However, despite these perceptions, extant literature suggests that financial management remains elusive in many organizations, even when internal audit systems are in place (OAG, 2010), especially in the public sector.

Nwaobia *et al.,* (2016) opine that financial management entails the planning, organization, direction, and control of financial resources, encompassing aspects such as fund procurement and utilization, within an enterprise. It entails the application of universal management principles to the realm of financial resources. The societal demand for public sector entities to demonstrate quality, professionalism, and effective managerial skills, while ensuring efficient and productive management, continues to escalate. The outcomes of financial management in a public sector organization are influenced by audit activities, specifically program performance audits based on achievement indicators and financial accounting audits (Suprobo, Priyo, Suteja, Soetedjo & Basuki, 2014).

The Federal Republic of Nigeria comprises three tiers of government: federal, state, and local government. These tiers are governed by the constitution of the Federal Republic of Nigeria, which dictates resource allocation and decision-making procedures (Atkinson and Stiglitz, 1980). Globally, the establishment of local governments aims to enhance government proximity to citizens and elevate their quality of life through internally and externally generated revenue hence, a functioning internal audit in this level of government should promote accountability and transparency in governance (Abdulkarim & Adeiza, 2019).

Statement of the Problem

Within the realm of public sectors, a recurring issue emerges where contracts are often awarded by senior officers to contractors in 'their good book' and not necessarily the qualified ones, sidestepping the established contract awarding processes and bypassing the involvement of relevant officials. This situation occasionally leads to contracts being purportedly awarded, even though they remain unrealized, with funds collected under false pretenses. Similarly, proper protocols for procurement of items are disregarded within local governments, particularly by senior officers who unilaterally purchase items, neglecting due processes to serve their personal interests. Moreover, certain agencies entrusted with remitting public funds into the communal coffer either fail to remit the due amount or do so in insufficient measure, as seen in some defaulting departments. These actions collectively deplete the public funds that are intended for community development, essential public services, and the provision of goods. Given the ethical expectations for internal auditors to uphold principles such as integrity, objectivity, confidentiality, and competence, this behavior stands in stark contrast (Hery, 2012).

Despite numerous studies conducted in the domain of internal audit and financial management (Adeyemi, Akindele, & Agesin, 2012; Coker & Adam's, 2012; Ebimobowei & Kereotu, 2011; Uneegbu & Kida, 2011; Nwaobia, Ogundajo, & Theogene, 2016; Ahmad, 2018; Alashe & Bello, 2021), It appears that none has comprehensively addressed these issues within the context of the lowest administrative tier—local government areas. Establishing an audit department, particularly at this local level, could play a pivotal role in realizing government financial objectives, enhancing internal controls, mitigating risk, and fortifying overall corporate governance. In light of this evident research gap, the study aims to investigate the impact of internal audit on the financial management of Local Government, particularly Akure South Local Government, Ondo State, this will be done using Audit Quality and Audit time cycle as proxy for Internal Audit.

Research Questions

To achieve the broad objective, the following research questions are formulated to guide this study.

i. To what extent is the relationship between internal audit quality and financial management in Akure South local government councils?
ii. What is the relationship between internal audit time cycle and financial management in Akure South local government councils?
iii. Do internal audit quality and Audit time cycle have joint relationship on the financial management in Akure South local government councils.

Objectives of the Study

The main purpose of the research is to examine the relationship between Internal audit and financial management of Local Government in Akure South Local Government Area. Explicitly, the specific objectives include the following:

i. To examine the relationship between internal audit quality and financial management in Akure South local government councils.
ii. To examine the relationship between internal audit time cycle and financial management in Akure South local government councils
iii. To examine the joint relationship of internal Audit quality and audit time cycle on the financial management in Akure South local government councils.

Research Hypotheses

The following null hypotheses are formulated for testing in the study:

H_{01} There is no significant relationship between Audit Quality and Financial Management in Akure South Local Government Council.

H_{02} There is no significant relationship between Audit Time Cycle and Financial Management in Akure South Local Government Council.

H_{03} There is no significant joint relationship between internal Audit Quality and Audit Time Cycle on the Financial Management in Akure South Local Government Council.

Literature Review

Conceptual Review

Audit

The International Audit and Assurance Standard Board (IAASB), a subcommittee of the International Federation of Accountants (IFAC), has defined an audit as an "independent examination and expression of opinion on the financial statements of a business enterprise by an appointed auditor in accordance with his terms of appointment and in compliance with relevant statutory and performance requirements." The audit report constitutes the final outcome of an audit assignment, conveying the auditor's viewpoint on the accuracy and fairness of a company's financial statement to its client firm (Alashe & Bello, 2021). Despite the occasional interchangeability of the terms "audit" and "auditing," they possess distinct connotations. As posited by Nwabueze (1997), auditing constitutes an operation executed to substantiate statements issued by corporate directors (who are not the primary capital providers) for the benefit of the organization's proprietors (shareholders), creditors, and other stakeholders. In contrast, auditing entails an appointed auditor's autonomous evaluation and expression of judgment regarding an organization's financial statements in alignment with the appointment and relevant statutory framework.

Internal Audit

Internal auditing, as delineated by Ejoh and Enom (2014), is a procedure designed to provide substantiation for managerial reporting.

The essence of internal auditing lies in enhancing organizational efficiency and effectiveness through constructive critique. The establishment of an internal audit department holds paramount importance, being an integral facet of accounting system implementation that contributes to the evaluation of departmental performance. Internal audit functions as the cornerstone of business accounting, overseeing comprehensive oversight of industry operations.

Internal Audit Quality

The effectiveness of an audit hinges on the quality of internal auditing. The Institute of Internal Auditors stipulates that internal auditors must meticulously plan and execute their work to yield valuable findings and recommendations for enhancement. The capacity of an Internal Audit Department to aptly strategize, execute, and relay audit results is often regarded as a gauge of audit quality. Consequently, audit quality is arguably shaped by the depth of staff expertise, appropriateness of service scope, and efficient execution, planning, and communication of internal audits (Izedonmi & Olateru-Olagbegi, 2021). Additionally, auditing standards such as No. 65 (AICPA, 1991) underscore internal audit quality factors including auditor competence based on educational and professional qualifications, objectivity gauged by examining parties and appointing authorities, and the quality of audit assignments as measured by accuracy and scope.

The Institute of Internal Auditors (IIA, 2003) introduces three more factors: the degree of internal auditor independence, objectivity, and proficiency. Subsequently, both enterprise management and external auditors, responsible for assessing the work and reports of internal auditors, must conduct a quality evaluation of the internal control system, necessitating an assessment of the internal audit function. This duty often falls on the chief or director of internal audit, entailing periodic reviews of the internal audit function and a broader spectrum of the internal control system, sometimes involving management and audit committees as advocated by Eisa (2008).

Audit Time Cycle

The concept of an "audit time cycle" refers to the duration taken to complete an entire audit process, from the initial planning and preparation stages through to the final reporting and communication of audit findings. It encompasses the various phases and activities involved in conducting a comprehensive and thorough audit of an organization's financial statements, internal controls, processes, and operations. The audit time cycle includes stages such as:

(i) **Planning**: This involves determining the audit objectives, scope, and approach, as well as identifying the key areas to be examined and the resources required.

(ii) **Fieldwork**: During this phase, auditors gather evidence, conduct testing, and evaluate the internal control systems and financial transactions.

(iii) **Testing and Analysis**: Auditors assess the accuracy, completeness, and validity of financial data and transactions, often using sampling methods to draw conclusions about the entire population.
(iv) **Documentation and Documentation Review**: Auditors document their findings, procedures, and conclusions. This documentation is crucial for transparency, accountability, and for future reference.
(v) **Evaluation and Review**: The collected evidence is evaluated to determine whether financial statements are presented fairly and whether internal controls are effective.
(vi) **Reporting**: The audit results are summarized in a formal audit report, which includes the auditor's opinion on the financial statements and any identified issues or recommendations.
(vii) **Communication**: The audit findings are communicated to relevant stakeholders, including management, shareholders, regulatory authorities, and others.
(viii) **Follow-up**: After the audit, there may be a follow-up period to address any issues raised during the audit and ensure that corrective actions are taken.

The audit time cycle can vary significantly based on factors such as the complexity of the organization, the scope of the audit, the availability of information, and the efficiency of the audit team. It is essential for auditors to manage the audit time cycle effectively to ensure a thorough and timely audit process while meeting professional standards and requirements.

Financial Management

The functions encompassed by financial management pertain to the strategic planning, orderly organization, acquisition, and judicious utilization of public financial resources, alongside the formulation of apt policies to cater to stakeholder needs. Bou-Raad (2010) characterizes public financial management as a mechanism for deploying public resources to fulfill societal expectations and address communal aspirations. It constitutes the core of governmental operations and fiscal policies.

Efficient public financial management fosters an accounting system that showcases the effective deployment of a nation's financial resources. It offers transparency to the public for gauging the fiscal status of the government and stands as a pivotal instrument for designing and executing governmental policies. The realm of public financial management encompasses multiple facets, including cash management, which strives for optimal allocation of government cash resources while averting resource immobilization and curbing borrowing costs; aid and debt management, which enhances the governance of public debt acquisition, servicing, and retirement, with the objective of preventing undue debt escalation; revenue management, which seeks to encourage a tax administration system geared toward augmenting taxpayer compliance and convenience, thereby boosting revenue collection efficiency, reporting, and forecasting; and audit and procurement (Hutchinson & Zain, 2009).

Effective public financial management necessitates the prudent allocation of government expenditure to ensure the delivery, maintenance, and proper execution of services, particularly for the benefit of the less privileged. It instills accountability to the populace for the utilization of public resources. The essence of public financial management involves striving for consistently balanced or surplus budgets, as an endeavor by the government (Scutaru, 2009). The essential objectives of financial management encompass wealth creation for the government, generation of funds, and provision of satisfactory returns on investments. These objectives constitute fundamental components of the public financial management process (Sohand & Martinov-Bennie, 2011; Aikins, 2011). The responsibility of public entities is to administer assets in the best interest of the government and its citizens, rather than self-interest of leaders, necessitating effective internal control systems and adherence to the law governing the stewardship of public resources (Boone & Kurtz, 2013).

Theoretical Review

The foundation of this study rests upon two theories: the agency theory pioneered by Jensen and Meckling (1976), and the legitimacy theory introduced by Suchman (1995).

The Agency Theory

The Agency Theory postulates that a company's primary aim is to enhance stakeholders' wealth. This theory asserts that an organization comprises principals who possess financial assets and agents responsible for supervising these assets (Gensen & Meckling, 1976; Jussi & Petri, 2004; Tuan, 2015; Al-Matari *et al.,* 2014). Principals typically do not engage directly in day-to-day decision-making, and there might be instances of them advancing personal interests, sometimes to the detriment of stakeholders (Gensen & Meckling, 1976; Jussi & Petri, 2004; Tuan, 2015).

In the context of this study, the population might not all participate in resource management at a national level; hence, public officials are appointed by citizens to manage public resources on their behalf. Information disparities between principals (citizens) and agents (public officials), along with varying motivations, may lead to a lack of trust by principals in agents. Therefore, mechanisms must be implemented to fortify trust, with auditing being one such monitoring mechanism in agency theory. Auditing is perceived as an independent check on agent activities and information provided, bolstering confidence and trust. Auditors assess the fidelity and compliance of financial statements prepared by agents with accepted accounting principles. Financial statement audits make management answerable to shareholders for their stewardship (Akinbuli, 2010).

The Legitimacy Theory

The Legitimacy Theory revolves around an organization's actions aligning with societal norms, values, and expectations to gain acceptance and approval from stakeholders like the public, regulators, customers, and investors. This theory underscores the continuous efforts organizations invest in managing their reputation, image, and societal acceptance, along with their responsiveness to societal concerns and pressures. In the context of this study, the legitimacy theory of audit is also applied to public institutions, where internal auditors serve as effective assessors and communicators to the public about the effectiveness and efficiency of public sector management (Swinkels, 2013). Public officials and managers in these institutions are expected to address societal needs. Both theories are pertinent to this study, as they emphasize the role of citizens in monitoring the stewardship practices of public officers through audit procedures

Empirical Review

In their exploration of the relationship between quality and quantity, Hazaea, Tabash, Kahtib, Zhu and Al-Kuhabi (2020) conducted a study on the nexus between internal auditing and financial performance. They collected primary data through the administration of a questionnaire, yielding a total of fifty (50) responses, of which forty-two (42) were deemed suitable for the subsequent analysis. To test their research hypotheses, they employed empirical analysis, descriptive analysis, and the T-test as analytical tools. Their findings suggest that internal auditing standards, internal auditor independence, and the quality of governance significantly influence the financial performance of banks. However, the size of internal audit committees and the frequency of their meetings were found to have a minor impact on the financial performance of banks.

Ziniyel, Otoo, and Audzie (2018) conducted a study in Ghana that produced divergent outcomes on several addressed issues. This variance can be attributed to the differing perspectives of audit staff, account officers, and institutional leaders. However, the majority viewpoint among respondents was taken into consideration. The internal auditing practices within the university align with government regulations, signifying their effective execution of mandated responsibilities and compliance with necessary technical prerequisites.

Muchiri and Jagongo (2017) research indicates that internal auditing exerts no discernible influence on the profitability and return on investment in Kenya. Nonetheless, their study's conclusions paradoxically challenge its original objectives. The investigation revealed that the presence of an internal audit function at the Kenya Meat Commission did not translate into improved financial performance, suggesting that internal auditing does not inherently enhance a company's profitability.

In a Rwandan study, Didier (2016) unveiled a connection between internal audit and the financial performance of commercial banks. Internal audit played a pivotal role in asset recovery, fraud detection, and overall business growth. The study followed a descriptive approach and suggests that the enhanced status and image of internal audit within banking institutions can lead to greater effectiveness and professionalism in its operations.

Kabiru and Abdullahi (2014) investigated the quality of audited financial statements among deposit money banks in Nigeria, using both primary and secondary data. Their sample consisted of five banks selected from a population of 21 publicly traded banks in Nigeria: Access Bank, First Bank, Union Bank, United Bank for Africa, and Zenith Bank. The findings indicated that auditor independence significantly enhances the quality of audited financial statements in Nigerian deposit money banks. Additionally, adherence to auditing guidelines positively and substantially influences the quality of audited financial statements in these banks.

Methodology

The study employed the descriptive survey design method to evaluate the relationship between internal audit and financial management in Akure South Local Government council in Ondo State. The entire Akure South Local Government council made up the population while 140 study participants was drawn from the population using the Taro Yamane sampling technique. A self-structured instrument tagged Internal Audit and Financial Management questionnaire (IAFAQ) was used to collect the data. The IAFAQ was subjected to face and content validity. These were established by experts in the department of accounting. The reliability of the IAFAQ was determined using Cronbach Alpha value to ensure that the constructs are consistent across items. It yielded a value of 0.96, which was considered high. Hence the instrument was reliable. The data collected was coded and analysed using regression estimation technique. A total of 110 copies of the questionnaires were returned while 91 copies were found usable. This corresponds with Jackie (2008) acceptable rate of 80% response.

Model Specification

Taking inference from the empirical findings and theories and modifying the Internal Audit Quality and Public Sector Management model used by Izedonmi & Olateru-Olagbegi (2021). The study proposed a regression model in the form:

$$FM_t = \beta_0 + \beta_1 ADQ_t + \beta_2 ATC_t + + \mu_t \qquad eqn\ 1$$

Where FM refers to financial management, encompassing the process of strategizing, coordinating, supervising, and overseeing financial operations. On the other hand, ADQ stands for audit quality, evaluating factors that enhance the probability of auditors successfully accomplishing the core objective: ensuring a financial statement is devoid of significant inaccuracies. Meanwhile, ATC, represent Audit Time Cycle. It measures the duration or timeframe required to complete an audit process. It encompasses all the stages and activities involved in conducting an audit, from planning and gathering evidence to analysis and reporting.

Data Analysis

Descriptive Statistics

Table 4.1 Showing Result of Descriptive Analysis

Variables	*Internal Audit Quality*	*Audit Time Cycle*	*Financial Management*
Mean	14.1209	14.1868	29.2135
Std. Deviation	5.35793	4.65692	9.35957
Skewness	-.358	-.253	-.395
Kurtosis	-1.573	-1.461	-1.562
Obs	91	91	91
Sum	1285.00	1291.00	2600.00

Source: Field Survey, 2023

From the descriptive statistics in tale 4.1, the average internal Audit Quality score stands at approximately 14.12, with a corresponding standard deviation of about 5.36, signifying the degree of spread or variability within these scores. An indicative skewness value of around -0.358 points to a slight negative skew in the distribution, hinting at a potential leftward bias. Additionally, the kurtosis value of roughly -1.573 characterizes the distribution of Audit Quality scores as platykurtic, implying thinner tails and a less pronounced peak compared to a typical normal distribution. Similarly, the mean Audit Time Cycle registers at approximately 14.19, accompanied by a standard deviation of approximately 4.66. A skewness value near -0.253 suggests a minor negative skew in the distribution of Audit Time Cycle data. Concurrently, a kurtosis value of about -1.461 reinforces the observation that the distribution is platykurtic.

Meanwhile, the mean Financial Management score hovers around 29.21, with a standard deviation of about 9.36. A skewness value of roughly -0.395 points to a slightly negatively skewed distribution for Financial Management. Furthermore, a kurtosis value of approximately -1.562 indicates that, akin to the other variables, the distribution of Financial Management data is platykurtic. In summary, the descriptive table furnishes essential summary statistics for three variables—Audit Quality, Audit Time Cycle, and Financial Management—derived from a sample of 91 observations.

Test of Homogeneity of variables

Levene test of homogeneity of variance was conducted to determine if within the population, the variance of Audit Quality (AUQ). Audit time cycle (ATC) and financial management (FM) variables is constant. This is the homogeneity of variance.

Table 4.2: Test of Homogeneity of Variances

Variables	**Levene Statistic**	**df1**	**df2**	**Sig.**
Internal Audit Quality	.885	1	89	.349
Audit Time Cycle	.919	1	89	.340
Financial Management	3.575	1	89	.062

Source: Field Survey, (2023)

Results in table 4.4 show the *p*-values of Audit Quality (0.349), Audit Cycle time (0.340) and financial management (0.062) respectively. These probability values are greater than 5% significance level. This result compels the acceptance of null hypothesis of homogeneity of variance and the rejection of alternative hypothesis of heterogeneity of variance of Audit quality, audit time cycle and financial management variables. These results therefore provide evidence that supports the appropriateness of the use of ANOVA and correlational analyses with assumption of homogeneity of variance.

Reliability Analysis

The reliability of the research instruments was evaluated using Cronbach alpha. This technique was used to evaluate the internal consistency of the constructs.

Table 4.3: Reliability Statistics

Cronbach's Alpha	*Cronbach's Alpha Based on Standardized Items*	*N of Items*
.922	.974	3

Source: Field Survey, (2023)

The over-all reliability of the constructs proves to be very good and within the acceptable standard practice as both the Cronbach Alpha's based on standardized items and alpha value are 0.922 and 0.974 for the Audit quality, audit time cycle and financial management scales. These values follow the standardized and acceptable range of reliability of research instrument (George & Mallery, 2003). The result shows that there is internal consistency in the constructs.

Test of Hypotheses

The hypotheses were tested at 5 percent significance level.

Hypothesis One

H_{01}: Internal Audit Quality does not have a signifcant relationship on the Financial Management in Akure South Local Government Council.

Table 4.4: Pearson correlations result between Audit Quality and Financial Management

		Audit Quality	Financial Management
Audit Quality	Pearson Correlation	1	.956**
	Sig. (2-tailed)		.000
	N	91	91
Financial Management	Pearson Correlation	.956**	1
	Sig. (2-tailed)	.000	
	N	91	91

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

Source: Field Survey, (2023)

The Pearson Product Moment Correlation was conducted to determine whether there is a significant relationship between Audit Quality and Financial Management. The Pearson Correlation (r = .956**, n = 91, p = .000) shows that there is a positive significant relationship between Audit Quality and Financial Management. Therefore, the null hypothesis is rejected and concluded that there is a positive relationship between Audit Quality and Financial Management in Akure South Local Government area of Ondo State. The result implies that as Audit quality expands, there is the likelihood of an improvement in Akure South Local Government Council financial management in Ondo State.

Hypothesis Two

H_{02}: Audit Time Cycle does not have a significant relationship on the Financial Management in Akure South Local Government Council.

Table 4.5: Pearson correlations result between Audit Time Cycle and Financial management.

		Financial Management	Audit Time Cycle
Financial Management	Pearson Correlation	1	.898**
	Sig. (2-tailed)		.000
	N	91	91
Audit Time Cycle	Pearson Correlation	.898**	1
	Sig. (2-tailed)	.000	
	N	91	91

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

Source: Field Survey, (2023)

The Pearson Product Moment Correlation was conducted to determine whether there is a significant relationship between Audit Time Cycle and Financial management. The Pearson Correlation (r = .898**, n = 91, p = .000) shows that there is a positive significant relationship between Audit Time Cycle and Financial Management. Therefore, the null hypothesis is rejected and concluded that there is a relationship between Audit Time Cycle and Financial management in Akure South Local Government Area of Ondo State. The result implies that the higher the Audit time cycle, there is the likelihood of an improvement in Akure South Local Government Council Financial Management in Ondo State.

Hypothesis Three

H_{03}: There is no significant joint relationship of Audit Quality and Audit Time Cycle on the Financial Management in Akure South Local Government Council.

Table 4.6a: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.957[a]	.915	.913	2.76277

a. Predictors: (Constant), Audit, Time, Cycle, Audit Quality

Source: Field Survey, 2023

The model summary in table 4.6a shows the multiple correlation coefficient and coefficient of determination. The result shows that the R value of 0. 957 indicates a high degree of correlation while the R^2 value of .915 indicates that 91 % total variation recorded in financial management was explained by changes in Audit quality and Audit time cycle.

Table 4.6b: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7263.492	2	3631.746	475.802	.000[b]
	Residual	671.695	88	7.633		
	Total	7935.187	90			

a. Dependent Variable: Financial Management
b. Predictors: (Constant), Audit, Time, Cycle, Audit Quality
Source: Field Survey, 2023

Table 4.6b shows the significance of the model (model fit). The coefficient of 475.802and significance value of 0.000 prob.< *0.05*), shows that overall, the regression model statistically and significantly predicts the effectiveness of financial management.

Table 4.6c: Regression results showing joint relationship between Internal Audit quality and Audit time cycle and financial management

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	4.983	.944		5.278	.000
	Audit Quality	1.524	.144	.869	10.599	.000
	Audit Time Cycle	.189	.165	.094	1.141	.257

a. Dependent Variable: Financial Management
Source: Field Survey, 2023

Table 4.6c shows a multiple regression analysis of the joint effect of Audit quality and Audit time cycle on financial management. The coefficient of Audit quality is 1.524 while the coefficient of Audit time cycle is .189. Meanwhile the t values of the variables are 10.599 and 1.141 respectively. From the result, it can be inferred that Audit Quality (t = 10.599, *prob. = 0.000*) and Audit time cycle significantly (t = 1.141, *prob. = 0.000*) predict financial management. Since the significant value is less than 0.05 level of significance, we reject the null hypotheses and conclude that there is a significant joint effect of Audit Quality and Audit Time Cycle on the Financial Management in Akure South Local Government Council.

Discussion of Findings

The study aimed at investigating the internal audit and financial management in Akure South Local Government area in Ondo State. Pre-estimation checks were conducted to ensure accuracy and dependability of the results. From the finding, audit quality and audit time cycle have individual relationship with financial management and joint significant effect on effective financial management in Akure South Local Government area of Ondo State. The positive and significant effect of audit quality and audit time cycle on financial management can be attributed to several factors and their interplay in ensuring effective financial governance and control within an organization. The research findings validate the assertion made by Usman (2019) that high-quality audits contribute to greater accuracy and reliability in financial statements. This, in turn, establishes trustworthiness in the financial information used for decision-making, thereby reducing the probability of errors or fraudulent reporting. Accurate financial reporting forms the bedrock of financial management.

Furthermore, a thorough audit process plays a pivotal role in recognizing and mitigating financial risks and irregularities. By proactively addressing these risks, organizations can enhance the quality of their financial decision-making, allocate resources with greater efficiency, and optimize their financial management strategies. It's worth noting that audit quality often intersects with compliance with accounting and financial reporting regulations. Adherence to these standards not only diminishes the likelihood of legal and financial penalties but also nurtures a more stable and predictable financial environment for management.

The findings align with Hazaea *et al.,* (2020) research, which emphasized that adherence to internal audit standards, the independence of internal auditors, and effective governance practices significantly influence the financial performance of banks. They also corroborate the discoveries of Alashe and Bello (2021), who established a substantial relationship between internal audit practices and the profitability of banks in Nigeria. Additionally, they found that the reporting channels within internal audit functions exert an impact on the financial performance of Nigerian banks. Similarly, Anichebe (2010) emphasized the pivotal role of the internal audit function in public financial management. Internal auditors are entrusted with the responsibility to act independently and impartially. This underscores the importance of internal auditors maintaining objectivity and providing high-quality, reliable financial information in alignment with their integrity and professional competence levels.

Conclusion and Recommendation

The findings of this study have provided valuable insights into the significant impact of audit quality and audit time cycles on financial management within the context of Akure South Local Government Council in Ondo State. The research has underscored the pivotal role that these factors play in shaping the financial landscape of the council and their individual relationships with financial management. Firstly, it is evident that audit quality has a profound relationship with financial management within Akure South Local Government Council. High audit quality not only ensures the accuracy and reliability of financial statements but also fosters trust in the financial information used for decision-making. This, in turn, reduces the likelihood of errors and fraudulent reporting, which are crucial for effective financial management.

Moreover, a rigorous audit process assists in identifying and mitigating financial risks and irregularities, thus enabling better-informed financial decisions, efficient resource allocation, and the optimization of financial management strategies. Secondly, the study has highlighted the significance of audit time cycles in the financial management of the local government council. Efficient and timely completion of audits allows financial management to operate with minimal disruption, freeing up resources for more strategic endeavors. This not only enhances operational efficiency but also contributes to effective financial planning and resource allocation.

Based on the findings of this research, several recommendations can be made to further strengthen financial management within Akure South Local Government Council:

a) The council should prioritize and invest in maintaining a high level of audit quality. This may involve engaging experienced and reputable auditors who can ensure the accuracy and reliability of financial reporting.
b) Streamlining the audit time cycle is essential. The council should work closely with auditors to ensure that audits are conducted efficiently and with minimal disruption to daily operations.
c) Training and capacity-building programs for staff of the internal audit should be a continuous endeavor. This will enhance their ability to adapt to changing regulations and best practices.
d) Regular audits can serve as a mechanism for ensuring adherence to these standards. Hence, this should be encouraged.

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