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Enhancing Operational Efficiency and Financial Performance Through Internal Audit: A Case Study of BLESSING Finance

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Abstract: Internal audits serve as critical assurance services that support the enhancement of operational efficiency and financial performance within organizations. This study examines the role of internal auditing in improving these aspects in privatised financial institutions, specifically focusing on BLESSING Finance. Given the profit-driven orientation of management in such institutions, there is a pressing need to identify strategies that maximize profitability. Enhancing operational efficiency is pivotal, as it reduces operational costs while increasing productivity. Internal auditing contributes significantly by identifying deficiencies within internal controls and providing audit opinions that inform management in drafting appropriate policies and procedures. This research utilized a mixed-methods approach, combining qualitative data from interviews and quantitative data from questionnaires, to assess the impact of internal auditing on operational efficiency and financial performance. The findings demonstrate that internal audits have a positive and significant effect on both operational efficiency and financial performance, highlighting the value of internal audits as a strategic tool for financial institutions. It is recommended that BLESSING Finance's management prioritize the recruitment of qualified auditors with the necessary skills and expertise to perform audits effectively and efficiently, thereby further enhancing the institution's operational efficiency and financial outcomes. The study underscores the importance of robust internal audit functions as a key driver of strategic and financial success in financial institutions.

Keywords: Internal audit; Improving; Operational efficiency; Financial performance; Financial institutions; BLESSING Finance

JEL Classification: M41; M49

1. Introduction

Micro-credit financial institutions play a crucial role in the socio-economic development of societies worldwide. These institutions are responsible for addressing the growing demand for financial resources, which are often scarce, to meet various needs such as funding for education, small-scale business ventures, and infrastructural development for both individuals and governments. In the absence of well-functioning micro-credit financial institutions, economic and social development may be significantly hindered, leading to broader adverse impacts on society. Consequently, the efficient management of micro-credit financial institutions is essential, and this can be effectively achieved through the implementation of robust internal audit practices.

Chen et al. (2020) state that internal auditing is traditionally developed as an examination on behalf of management to confirm the effectiveness and sufficiency of the current internal controls. "It also has the purpose of identifying deficiencies that cause inadequate organizational performance. After identification, internal auditors can offer suggestions to improve on the inadequacies based on their professional judgment," as highlighted by Bhandari (2020). For privatized microcredit firms to achieve their desired objectives effectively and efficiently, internal audits play a vital role in equipping management with the required analysis, evaluations, and suggestions for future decision-making (Paradzal et al., 2023).

"Financial performance refers to a company's fiscal health, which includes growing revenues and manageable debt. Internal audit information communicated by the auditor through the audit report is especially valuable to creditors, shareholders, and other various users who have a financial interest in the company's success or failure in order to determine the financial performance," says Bhandari (2020).

The organization to serve as both a case study and a reference is FMC Finance. This entity was established and registered as a microfinance in 2010. The organization has 26 branches in all four corners of Zimbabwe and 4 other branches in Zambia, where it started operating in 2016. FMC's core business is microfinancing, offering financial assistance to SMEs and individuals alike. Guided by its core values of professionalism, respect, teamwork, innovation, and integrity, its vision is to be the best-in-class microfinance institution that provides flexible and professional financial solutions to its chosen customers. The entity has engaged an internal audit department to carry out its audit function, which has the duties of determining the sufficiency and effectiveness of internal controls and system checks. "The internal audit function is controlled and reports to the directors of FMC Finance. The entity is heavily dependent on the internal audit activity carried out by its internal audit team and does not engage external auditors" (Wadesango et al., 2021).

"Throughout the years, due to continued expansion and broadening of company operations, there have been cases within the FMC Finance of money laundering and fraudulent activities due to weak internal controls, thereby tarnishing the accuracy and completeness of the annual financial statements of the organization. Also, FMC Finance is currently facing liquidity constraints, as evidenced by its failure to meet obligations on a timely basis. This is in accordance with the top management's statement in a meeting that the organization is continuously putting in efforts to source out for cheaper sources of funding" (Wadesango et al., 2023).

1.1 Agency Theory

Jensen & Meckling (1976) mentioned that "the theory is based on the idea that players in an organization can be classified into 2 groups: the principals, who are the shareholders of the organization, and the agents, who are the management of the organization". According to Busari (2019), research of internal audit function is theoretically supported by the agency theory. Furthermore, agency theory forecasts and proposes the essential character of internal auditing, helping to identify the responsibilities assigned to internal auditors by the corporation. Agency theory is crucial to this research and helps elucidate the roles and responsibilities of internal auditors, which may enhance financial outcomes across various organizations.

1.2 Main Research Objective

The objectives of this research are as follows:

1. To evaluate the effects of internal auditor competence on operational efficiency and financial performance of financial entities.
2. To evaluate the relationship between internal audit, operational efficiency, and financial performance of financial entities.
3. To investigate the relationship between internal audit and good corporate governance and its contribution to the operational efficiency of financial institutions.
4. To examine the role of internal audit independence on the financial performance of financial institutions.
5. To investigate the role of quality internal audit work on the operational efficiency and financial performance of financial entities.

1.3 Significance of the Study

• The study will assist the shareholders in recognizing and appreciating the function of internal audit as one of the most crucial internal control systems necessary to protect their interests.

• The study will assist shareholders in knowing the importance of internal auditors and provide them with sufficient information to carry out their audit procedures effectively and efficiently.

• Internal audit can be made to run fully independently from management by the financial entity's management, which will increase its effectiveness.

1.4 Research Limitations

The study's scope is restricted to how internal audit affects financial institutions' operational effectiveness and financial performance. Due to confidentiality reasons, the researchers will not be able to receive some confidential information from the organization.

2. Empirical Review

2.1 Contingency Theory

Miles (2022) note that the contingent theory argues that there does not exist an ideal method to run a business, structure a team, or make decisions. He goes on to say that both the interior and exterior circumstances will affect the best course of action. A contingent manager successfully employs their own management approach in the appropriate circumstance. The existence of such factors is the reason why auditing can be handled by using the contingency theory, with a recognition that the procedures and results of audit are dependent on variables and contingent factors, as highlighted by Miles (2022).

According to Tepalagul & Lin (2015), audit functions are dedicated to completing tasks and can be loosely organized, hence prone to change depending on the organization performing an audit and the nature of business being conducted. The researcher states that an audit team's structure can use the contingency theory. This is so, as the audit managers usually receive audit projects and formulate the audit teams, appointing each auditor to a certain task based on his skills and experience. Tepalagul & Lin (2015) denote that quality and outcomes of internal audits remain guaranteed when audit teams use resources in accordance with their skills and expertise. An auditor who is experienced in auditing financial statements is usually effective in his work.

Contingency theory is pertinent to the study because financial institutions in Zimbabwe place a high value on the audit report's quality. When audit teams allocate resources based on knowledge and expertise and when auditors are adaptable and able to cope with process changes, the quality and output of the audit report remain guaranteed. This can be achieved through investigating the impact of the quality of internal audit work on operational efficiency and financial performance of organizations.

2.2 Stakeholder Theory

The stakeholder theory is a business ethics and organizational management concept that addresses morals and values in the management of an organization. This theory describes existing situations whilst also recommending attitudes, customs, and rules. When combined, they constitute stakeholder management, says Jones (2017). This hypothesis applies to the investigation as it investigates the ethics and morals within the organization emphasized by the internal audit team, thereby investigating overall operational efficiency.

According to Miles (2022), stakeholder management calls for simultaneous consideration of the legal interests of all relevant stakeholders in the design of organizational structures, board policies, and individual case-by-case decision-making. This requirement, according to a source by The Institute of Internal Auditors (2018), applies to anybody who manages or has an impact on business policies, including not just professional managers but also shareholders and their parties, with the internal audit review included. This theory is pertinent to the current study as internal audits have the responsibility to provide advisory services in these financial institutions, like FMC Finance. Hence, this can be used to investigate the impact of internal audits on the operational efficiency of the financial entity.

2.3 Impact of Internal Audit on Operational Efficiency and Financial Performance

Busari (2019) carried out his research using four banks for his case study. He highlighted that from the research conducted, data was collected with secondary sources by formulating questionnaires, which were critically examined through the implementation of the Statistical Packages for Social Sciences (SPSS). He managed to use the experimental research design for his study known as the T-test. From the gathered sources of data, he was able to come up with the result that internal audits do have an influence on bank performance." More so, Tepalagul & Lin (2015) used census sampling to select respondents and used questionnaires to gather the required information necessary for the research. He adopted a quantitative analysis approach in analyzing the data. Through analysis of the results, the researchers concluded that internal audit function affects the financial performance of Rift Valley Bottler's Limited company.

Ahmad (2018) conducted a second study "to investigate the impact of internal audit on the operational performance of a sample of Jordanian banks. The researcher used a research technique in which he gave employees of these banks' questionnaires on a five-point Likert scale. With a sample size of 364 workers, the researcher was able to analyze the data collected by employing multiple regression. Organizational performance served as the dependent variable, with internal audit serving as the independent variable. "The researcher chose to measure internal audit using professional competence., internal controls, internal audit standards, and internal audit independence (Ahmad, 2018). Three of the selected hypotheses were found to be invalid based on the investigation, while one was found to be valid. According to Ahmad (2018), this demonstrated the tremendous influence internal audit has on the operations of Jordan Kuwait Bank, Cairo Amman Bank, and Bank of Jordan. Turetken et al. (2020) are able to collect secondary data as his source of information from the listed firms through the formulation of questionnaires for a sample of three hundred companies that were listed. “The researcher managed to derive his results from the application of multiple regression methods, and the determinants of his research turned out to be significant” (Jones et al., 2022).

2.4 Relationship Between Internal Audit, Operational Efficiency and Financial Performance of Financial Institutions

In a study conducted Yasin et al. (2020) using a quantitative research approach, he used the employees of Yayasan Mandiri Daya Insani Jln as his population. The researcher used primary data in the form of questionnaires to the employees, where he had a sample of 49 respondents. “The researcher used simple linear regression analysis to analyze the collected data. After analysis based on the results, the researcher concluded that research shows that internal audit has a strong relationship with the effectiveness of organizational performance”, according to Turetken et al. (2020).

Ugwu et al. (2020) also cited relevant research carried out by Ziniyel et al. (2018), which was done through the use of cement-listed companies in Pakistan for the case study. “The study was conducted by using secondary data as a source of data, which was collected from the firm's annual audited reports as a basis of the research study” (Ugwu et al., 2020). In addition, “the researchers were able to adopt the regression method, SPSS, and Microsoft Excel as tools for the analysis of gathered data. After the successful study, the researcher concluded that there is a positive relationship between the internal audit committee and a firm's profitability ratio, which is regarded as part of a firm's financial performance (Ugwu et al., 2020).

Viswambharan & Priya (2016) carried out another study with the main goal of analyzing the impact of internal audits on the financial performance of banks in Rwanda, particularly the Bank of Kigali. The study’s technique was descriptive, correlational, and explanatory. The researcher drafted questionnaires and distributed them to 76 respondents from different Bank of Kigali divisions. The researcher used a universal sampling method, which excludes some members of the population. He gathered material from his study using both primary and secondary sources of information. After the relevant data for the study was successfully collected, analysis was carried out by Bhandari (2020).

Ugwu et al. (2020) conducted a study that involved a sample of publicly traded firms that were listed on the Korean stock exchange. The data envelope analysis was used to determine the operational efficiency. They wanted to ascertain the link between knowledge and ownership in line with internal controls and operational efficiency; the study also used standard regression models. “The study’s findings indicate a positive association between internal controls and operational efficiency rises as knowledge about the roles of internal controls improves” (Viswambharan & Priya, 2016).

2.5 Relationship Between Internal Audit Function and Good Corporate Governance and Its Effects on Operational Efficiency of Financial Institutions

The Institute of Internal Auditors (2018) highlights that “internal audit exists for the provision of assurance by evaluation and reporting on the impact of governance, risk management, and control processes designated for the achievement of strategic, operational, financial, and compliance objectives." Furthermore, internal audit provides perception by acting as a stimulus for management and the board to gain deeper understanding of governance processes and structures (The Institute of Internal Auditors, 2018). The Institute of Internal Auditors (2018) concluded that “internal audits help to strengthen corporate governance through the implementation of risk-based audits, which help provide assurance and perceptions on the processes and structures that drive the organization towards success, hence improving operational performance." In a study by Bhandari (2020), the researcher found that “a dynamic and active internal audit function can act as an indispensable resource in support of sound corporate governance”. The researcher defined corporate governance as the supervision of a company’s policies, procedures, and practices in most instances formulated by the board of directors. The researcher also points out that internal audits can be effective when initiating change, enhancements, and innovation within an organization through professional insight into procedures. This greatly enhances the operational efficiency of companies, as they will highlight key areas of weakness and developing risks. Another task for the internal audit team is to identify and foresee emerging inclinations and challenges to keep the organization one step ahead and ready to act as soon as a crucial decisive point occurs.

Wadesango et al. (2021), after their research data was successfully captured, implemented the simple regression method for analysis. A conclusion was drawn from the results that “internal audit function and internal audit efficiency have a positive and significant relationship on organizational performance” (Wadesango, 2021). Busari (2019) out research on the role of internal audits on corporate governance. The researcher defined corporate governance as the collective name given to the different policies, rules, routines, and processes formulated by authority of the board to effectively manage the organization. The researcher also states that corporate governance has the role to monitor the implementation of the company policies so as to meet set goals and objectives. He highlighted that internal audit plays a vital role as it provides a third line of defense throughout the organization. The researcher also mentioned that an internal audit can offer extended value by including reassessment of the organization's processes and procedures in areas such as corporate culture, sustainability, and business planning, hence enhancing the operational efficiency of the organization.

Governance frameworks play a critical role in enhancing operational efficiency by establishing clear roles, responsibilities, and accountability structures within an organization. "Effective governance ensures that decision-making processes are transparent and data-driven, allowing for timely responses to operational challenges and reducing inefficiencies. Furthermore, adherence to strong governance practices mitigates risks and helps align resources with strategic objectives, ultimately driving better performance (Bhandari, 2020). They further state that "by fostering a culture of accountability and continuous improvement, good governance also encourages innovation and streamlining of processes, leading to optimized resource utilization".

2.6 Internal Audit Independence on the Financial Performance of Financial Institutions

Enekwe et al. (2020) examined the effect of internal auditor and audit committee independence based on return on assets, which is also termed ROA. The results from the researcher proved that internal audit independence influenced positively and significantly the financial performance of the financial institutions (Enekwe et al., 2020). Another study was carried on by Ta & Doan (2022) to discover the factors affecting internal audit effectiveness. The researcher managed to gather data and carry out his research in Vietnam. The researcher was able to choose four factors that assisted him in his research, which are namely the independence of internal auditors, the skills of the internal auditors, support from management for internal audits, and the quality of the work carried out by the internal auditors. "The researcher was able to adopt the regression model for his research and analyze his data using the SPSS software, and throughout the study, the researcher used the use of secondary data through interviews and an online survey" (Ta & Doan, 2022).

Busari (2019) cited a relevant source where the researchers managed to present a thorough review of scholarly literature in relation to auditor independence and internal audit quality in Ghana. The analysis was based on publications that were published in nine top auditing journals as opposed to other journals. The researchers arranged the studies on four main factors that pose a danger to the independence of internal auditors, which include client vitality, non-audit services, audit tenure, and client company affiliation. "The study rejected the findings relating to the motivations, beliefs, and behaviors of the auditor and client for each of the previously mentioned dangers. The effects of each danger on the real and perceived quality of audits and financial reports were also underlined" (Ta & Doan, 2022). The study also concluded that internal auditor quality and auditor independence had a good association.

3. Research Methodology

The researchers adopted a mixed research methodology. Data were collected using questionnaires and interviews. The researcher was unable to gather data through interviews on some of the branches due to financial constraints and the remoteness of where these branches are located. Blessing Finance was chosen as the case study as this was one of the few micro finances with a number of branches dotted around the country and a traceable system and structure. The population and sample were as follows in Table 1.

Table 1. Population and sample

Participants	Target Population	Recipients of Questionnaires	Interviewees
Harare Branch	2	1	1
Bulawayo Branch	2	1	1
Gweru Branch	2	1	1
Masvingo Branch	2	1	1
Kwekwe Branch	2	1	1
Chivhu Branch	1	1	0
Murehwa Branch	1	1	0
Marondera Branch	1	1	0
Total	**13**	**8**	**5**

Source: Primary data were obtained from the BLESSING Finance

4. Data Presentation, Analysis and Discussion

4.1 Effects of Internal Auditor Competence on the Operational Efficiency and Financial Performance of the Financial Institution

As part of the research questions, the first objective was to evaluate how the competence of the internal auditor affects operational efficiency and financial performance of BLESSING Finance. The results from the collected data will be represented in Table 2.

Table 2. Effects of internal audit competence on operational efficiency and financial performance

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Are internal auditors at FMC Finance suitably qualified?	0%	0%	9%	18%	73%
Does internal audit team determine compliance with organizational policies and procedures?	0%	0%	18%	27%	55%
Does internal audit team check the operating objectives to ascertain consistency?	45%	36%	9%	9%	0%

Source: Primary data

The illustration above represents that 91% of the participants agreed with the fact that the internal audit team from BLESSING Finance are suitably qualified for their role, hence a great contribution to the operational efficiency and financial performance of the organization. Also, based on the data collected, 82% represents agreement that the internal audit team determines compliance with organizational policies and procedures within BLESSING Finance. Busari (2019) alluded that “there lies a considerable beneficial relationship between internal audit and social, financial, and economic performance." Also, in a study by Chen et al. (2020), the researcher reveals that the internal audit function enhances an organization’s operational effectiveness through improving its internal controls. Therefore, this study gives a clear conclusion that internal audit function impacts operational efficiency and financial performance of financial institutions positively and significantly based on the results of evidence gathered.

4.2 Effects of Quality Internal Audit Work on the Financial Performance

Also, while conducting research, the researcher also managed to collect data from respondents regarding the impact of quality internal audit work on the financial performance of BLESSING Finance. Results from the data collected are displayed in Figure 1.

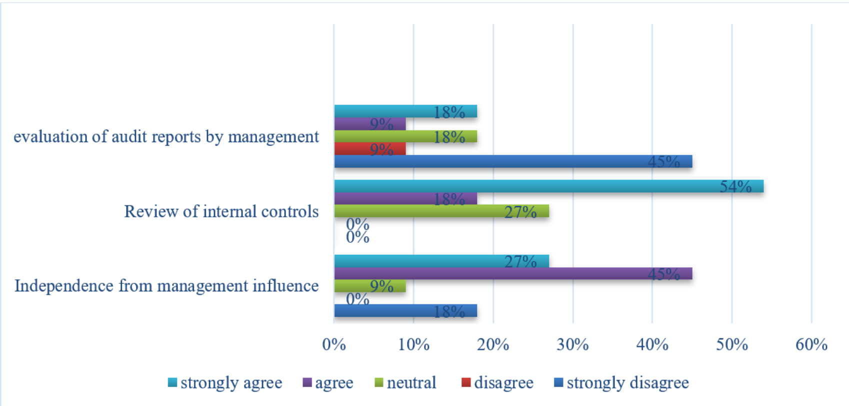

Figure 1. Quality of internal audit work on financial performance
Source: Primary data

The illustration reflects that 72% of the chosen sample agree that the internal audit team is independent from management influence, thereby making the audited work more authentic and reliable. Also, 54% of the respondents strongly agree that the internal auditors of BLESSING Finance review the internal controls of the organization, increasing efficiency and financial performance within the organization. However, 54% begged to differ from the rest of the respondents that the management evaluate the audit reports effectively, thereby being a setback. This is reflected in a study by El Gharbaoui & Chraibi (2021), which concludes that “an organization’s financial performance is positively and considerably impacted by the quality of the audit work”. Hence, from the results obtained, a conclusion is made that quality work by the internal audit team assumes a crucial role in improving the operational efficiency and financial performance of financial entities.

4.3 Relationship which Lies Between Internal Audit, Operation Efficiency and Financial Performance of an Organization

Figure 2 illustrates that 82% of the respondents agreed to the existence of a beneficial relationship between internal auditing, operational efficiency, and performance (financially). It highlights that when internal auditing is not effective, chances are high that operational efficiency and financial performance will be poor. The same respondents went on to disagree that there is a negative relationship between the three (3) variables. This is also indicated in a study conducted by Busari (2019) that there is also the existence of a significant relationship, which is a positive relationship between internal auditing and financial performance and also a positive relationship between internal auditing and operational performance, respectively.

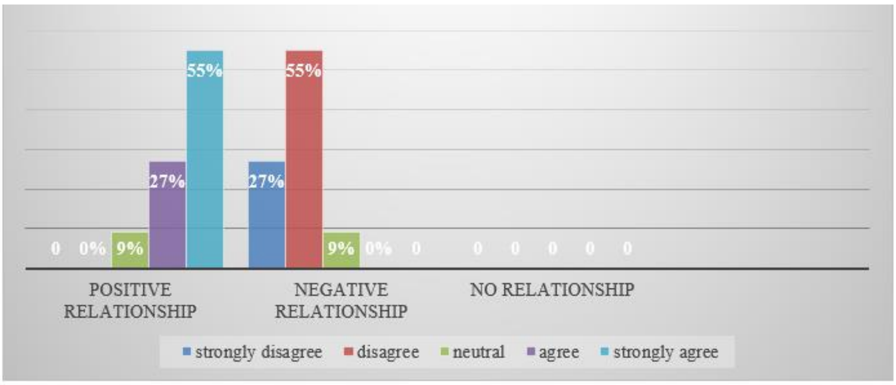

Figure 2. Relationship between internal audit and financial performance
Source: Field study

4.4 Does a Positive Relationship Between Internal Audit and Good Corporate Governance Contribute to Operational Efficiency of Financial Institutions?

Figure 3 clarifies that 64% of the respondents strongly agree that there is cooperation between internal auditors and employees of FMC Finance, while only 9% disagree. Also, 91% of the respondents strongly agree that internal auditing has unrestricted access to all records and information in full. This improves the effectiveness of audit procedures as it increases the scope of the audit procedures being performed. However, 54% of the respondents disagreed that management regards internal audits as a service adding value, rather than a mechanism for detecting fraud. This is also reflected in a study by Chen et al. (2020), which concludes that internal audit can offer extended value through inclusion of an organization’s processes and procedures in areas such as corporate culture, hence enhancing the operational efficiency of the organization.

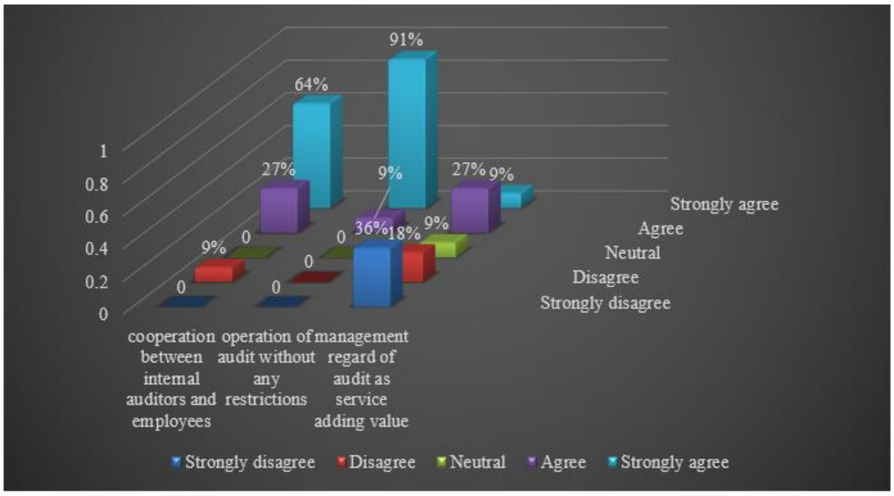

Figure 3. Relationship between internal audit and good corporate governance
Source: Field study

4.5 Internal Audit Independence on the Financial Performance of Financial Institutions

Table 3 shows that 55% of the respondents agree that the internal audit team at FMC Finance is independent from the activities being audited, while 36% of the respondents disagree. Furthermore, 100% of the respondents also agreed that the internal auditors perform their activities freely in all departments, thereby improving the operational efficiency and financial performance of the organization. More so, 64% agreed with the fact that the internal audit team of FMC Finance is free to report their findings and appraisals free from interference from auditees, thereby making the audit reports more accurate and unbiased. This is also supported in studies conducted by Enekwe et al. (2020) which both conclude that internal audit independence influences the financial performance of an organization positively at large. Also, based on the results of the current study, internal audit independence affects the financial performance of financial institutions positively.

Table 3. Internal audit independence

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Internal audit team independent of the activities being audited	0%	36%	9%	36%	19%
Internal auditors perform their activities freely in all departments	0%	0%	0%	27%	73%
Internal audit free to report their findings and appraisals free from interference from auditees	27%	9%	0%	19%	45%

Source: Primary data

4.6 Interview Responses

4.6.1 Internal auditor competence on the operational efficiency and financial performance of BLESSING Finance

The management of the sample branches that were selected were interviewed, and they all raised a similar observation that internal auditor competence is vital during the audit process. The researcher noted that most management mentioned that if the internal auditor does not have enough skills, knowledge, and expertise to carry out the audit procedures, there will be no improvements in operational efficiency and financial performance as recommendations from the internal audit report will not be applicable to the organization. This is also highlighted in a study conducted by Enekwe et al. (2020), when they mentioned that for internal audit activities to be done effectively, qualified auditors should be assigned the task to carry out the audit procedures. Hence, placing reliance on the research outcome, the competence of the internal audit team is a vital component for improvement of both operational efficiency and financial performance.

4.6.2 Quality internal audit work as a tool for improving the financial performance of the organization

Based upon responses from the various management from the interviews, it was noted that all interviewees from the various branches agreed that quality internal audit work performs an important part in the operational efficiency and financial performance of the organization. It was noted that quality internal audit work allows for management to carry out appropriate decision-making according to the detected deficiencies during the audit process. This was also cited in a study by Busari (2019) where the researchers mentioned that the quality work provided by the internal audit team has a favorable and considerable impact on how well financial institutions operate financially. Placing reliance on the outcome of the current study, conclusions can be drawn that quality work by the internal audit team positively affects the performance of financial institutions.

4.6.3 The relationship between internal audit, operational efficiency, and financial performance of the organization

The majority appreciated the existence of a favorable relationship between internal auditing, operational efficiency, and financial performance. They highlighted that the top management sets policies and procedures, and internal audit encourages adherence to these policies and procedures. When these policies and procedures are adhered to, there will be operational efficiency within the organization, resulting in increased productivity and completion of tasks, thereby improving overall financial performance. Chen et al. (2020) argue in support by denoting that "there exists a favorable positive between internal auditing, operational efficiency, and financial performance of financial entities. Also, based on the results of this research, the researcher concludes that a positive relationship exists between the three variables".

4.6.4 The relationship between internal auditing and good corporate governance and its contribution to the operational efficiency and financial performance of an organization

Based on the conducted interviews, they noted that there is a need for a good relationship to exist between the internal audit team and good corporate governance. They highlighted that the internal audit team needs to consult management during the planning stage so they can plan the scope of their audit procedures; hence, a negative relationship limits the scope of the audit, resulting in reduced operational performance due to biased audit reports. This is mirrored in research conducted by Chen et al. (2020) which denotes that a dynamic and active internal audit function can serve as an indispensable resource in support of sound corporate governance.

4.6.5 Effects of the independence of the internal auditor on the financial performance of an organization

While conducting the interviews, the management raised the point that an internal auditor's independence affects the financial performance of a financial entity positively. They mentioned that if an auditor is not independent, the opinion that the auditor passes will be biased due to undue influence from the auditees. This is also supported in a study by Enekwe et al. (2020), which also states that "the independence of the internal auditor has a positive impact on the organizational performance financially".

4.7 Major Findings

4.7.1 Internal auditor competence on the operational efficiency and financial performance of FMC Finance

The study noted that internal auditor competence plays a vital role on improvement of operational efficiency and financial performance of BLESSING Finance. This is due to the suitably qualified internal auditors detecting deficiencies within the internal controls of BLESSING Finance and providing a detailed audit report which allows for improvement. Through implementation of the policies and procedures directly applicable to the organisation, improved operational efficiency and financial performance can be achieved. This study shows that audit competencies affect organisational efficiency, previous studies has never focused on this aspect.

4.7.2 Quality internal audit work to improve the financial performance

Based upon the findings and results from the study, it was noted that the quality of internal audit work plays a major contribution to the financial performance of BLESSING Finance. Due to the employment of suitably qualified auditors with the sufficient skills and expertise to carry out the audit procedures effectively, BLESSING Finance has continuously improved its operational efficiency and financial performance. This is due to the internal auditors providing quality audit reports that identify the deficiencies within the internal controls.

4.7.3 The relationship between internal audit, operational efficiency, and financial performance

The findings indicated that there is existence of a positive relationship that is significant between internal audit, operational efficiency, and financial performance. The study noted that if internal audit procedures are carried out effectively, quality internal audit reports are obtained. FMC Finance therefore uses these quality reports to eradicate the detected deficiencies and hence for improvement of both operational efficiency and financial performance.

4.7.4 The relationship between internal auditing and good corporate governance and its contribution to operational efficiency and financial performance.

It was noted that a positive relationship between internal auditing and good corporate governance makes a positive contribution towards improvement of operational efficiency and financial performance of BLESSING Finance. This is through the management of BLESSING Finance providing the internal audit with all the necessary information for the audit process to be successful and management evaluating the audit reports to come up with better, improved policies and procedures of operation.

4.7.5 Impact of internal auditor independence on financial performance

The results from the research indicated that internal auditor independence affects the financial performance of BLESSING Finance positively. It was noted that internal auditor independence results in an audit report and research findings gathered from the audit procedures free from bias and undue influence from the auditees. Hence the organization can place reliance on the opinions passed by the internal audit team to improve their operational efficiency and financial performance.

5. Conclusions

The findings indicate a favourable positive relationship between internal auditing, operational efficiency, and financial performance within financial entities. Based on the results of this research, it can be concluded that these three variables are positively interrelated. Furthermore, it is evident that a strong positive association exists between internal auditing and good corporate governance, which significantly contributes to the operational efficiency of the organisation. The analysis of the collected data highlights that the positive relationship between internal auditing and corporate governance plays a crucial role in enhancing operational efficiency and financial performance at BLESSING Finance. This is facilitated by the management's provision of comprehensive information to support the audit process and the subsequent evaluation of audit reports, which enables the development of improved operational policies and procedures.

6. Recommendations

The following recommendations cannot be generalized to other financial institutions. They are specific to the case studied since it's a case of only one institution.

- BLESSING Finance should make an effort to employ suitably qualified internal auditors with the required level of expertise to carry out the audit procedures so as to improve its operational efficiency and financial performance. This is also in line with one of the major findings, which states that auditor competency influences organizational efficiency.
- For BLESSING Finance to improve its operational efficiency and financial performance, the management must effectively evaluate audit reports so that they can draft suitable policies and procedures. Wadesango et al. (2023) mention that a dynamic and active internal audit function can serve as an indispensable resource in support of sound corporate governance. Previous studies have shown that management sometimes fails to scrutinize these audit reports, which leads to poor corporate governance. It was also a finding that the quality of audit reports has an effect on organizational performance and efficiency.
- The management from the various BLESSING branches must recognize the internal audit team as a service adding value and not as bloodhounds in search of fraud and errors. Chen et al. (2020) support this argument when he states that internal auditing has been designed as a management-led audit to make sure the current internal controls are sufficient and efficient.
- The internal audit team should be independent from the daily activities and operations of the organization to reduce undue influence from the auditees. Enekwe et al. (2020) also support this argument when the researcher states internal audit independence affects the financial performance of financial entities positively. Previous studies have also shown that internal auditors were assigned duties that were operational in nature, and it compromised their work.

Data Availability

Not applicable.

Conflicts of Interest

The authors declare no conflict of interest.

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