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### INTERNAL AUDIT PRACTICES AND ORGANIZATION EFFECTIVENESS: INSIGHTS FROM SMES IN KWARA STATE

Saheed Lawal<sup>1</sup> and Abdulkadri Toyin Alabi<sup>2</sup>

<sup>1&2</sup>Department of Accounting and Finance, Kwara State University, Malete, Nigeria

<sup>1</sup>+2348067107778, [lawalsaheed7778@gmail.com](mailto:lawalsaheed7778@gmail.com)

<sup>2</sup>[alabiabdulkadri@gmail.com](mailto:alabiabdulkadri@gmail.com)

#### Abstract

*The tenacious cases of anomalies in corporate organizations, producing at higher cost with consequently lower profit margin especially among small and medium-sized enterprises (SMEs) have raised several questions on the presence of internal audit unit. The study hence investigated how internal audit practice affects the effectiveness of SMEs in Kwara State by assessing how much remuneration and information technology expertise of internal auditors' impact on efficiency. This research uses a survey research methodology. The heads of internal audit units and senior audit staff of the manufacturing companies within SMEs in Kwara State make up the study's target respondents (920). As of 31st January 2022, the Kwara State Internal Revenue Service (KWIRS) had four hundred and fifty (460) registered SMEs in the manufacturing/agro-allied sector. The statistical procedure developed by Yamane (1967) was used to determine the study's sample size of (279) respondents. To analyse the data, partial least square structural equation modeling (PLS-SEM) was used as an estimation approach. The outcome shows that the remuneration for internal auditors has a favourable and significant impact on the organizational effectiveness of SMEs in Kwara State. Internal auditor use of information technology, however, has a negligible and detrimental impact on the organizational performance of SMEs in Kwara State. To support internal auditors, discourage financial and material irregularities, and ultimately increase organizational performance, this research advises management of SMEs to implement both intrinsic and extrinsic forms of compensation to promote organization effectiveness.*

#### INTRODUCTION

To accomplish the aims and objectives of a company, appropriate control technique(s) must be implemented to ensure optimal resource usage. Internal corporate governance that is effective is required to do this, and internal audit is not an exception (Melanie, Odile, & Raimbault, 2021). The internal audit unit is a part of the management structure that regulates the organization's operations, unlike other corporate governance mechanisms. However, there have been numerous concerns raised about the existence of internal audit units due to the ongoing instances of irregularities in various organizations, which result in higher production costs and, as a result, lower profit margins, particularly among small and medium-sized businesses worldwide (Postula, Irodenko, & Dubel, 2020).

Organizational effectiveness necessitates teamwork, which the internal auditor cannot perform solo or without assistance from other management personnel. This would not only result in cost savings and efficient use of the company's resources, but also in the accomplishment of



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organizational objectives. This could make SMEs less likely to conduct internal audits. For instance, according to the Association of Certified Fraud Examiners' (ACFE) 2010 study findings, fraud cost American businesses an estimated 7% of their yearly profits (ACFE, 2010). From the predicted 6% for 2004 and 5% for 2006, this proportion increased (ACFE, 2010). Due to internal auditor layoffs and reduced travel budgets, there is concern that as economic pressures rise because of the weak economy, there will be an increase in fraud and corruption cases, which will hinder the organization's ability to achieve its objectives (Sullivan, 2009; Eulerich, Kremin & Wood, 2019). Additionally, the Association of Certified Fraud Examiner's (ACFE, 2020) report revealed that fraudulent activities cost the United States more than seven hundred and fifty billion dollars (\$750 billion), or 5% of its gross domestic product.

Inefficient internal audit departments have resulted in large budget deficits in emerging economies like Brazil, Colombia, and India, among others. According to Unegbu and Kida (2011) in Vanit (2010), of the one hundred and seven (107) nations assessed for public expenditure and financial accountability (PEFA), one hundred and one (101) had internal auditing performance that was below average. This shows that, generally, the efficacy of internal audit is not yet as well-established in the public sector as that of external audit. One hundred and two (102) local governments out of one hundred and forty (140) local government areas in Tanzania, according to Kitojo (2014), have mediocre performance in the internal audit department, while approximately sixty-eight (68) local governments and many other public offices have reportedly experienced widespread financial resource theft and misappropriation, which has led to organizational inefficiency.

Nigeria is not exempted from the threat of theft and irregularities among SMEs brought on by inadequate internal audit units. For instance, in Nigeria, Intels Nigeria Limited and Nigeria Cadbury Plc were documented situations where a lack of internal control systems allowed for unethical behaviour by the staff, including information manipulation, resource theft, and ultimately inadequate organization performance. Despite having internal audit units in place, Kwara State has also seen the demise of businesses including Tate & Lyle, Global Soap and Detergent, United Match, Kwara Textile, Okin Biscuit, and Doyin Investments, among others (Daily Trust, 2014). Moreover, it is impossible to overstate the contributions made by SMEs to global economic progress. This industry has contributed to lower unemployment rates globally and the creation of infrastructure amenities in a variety of settings. However, the short lifespan of SMEs following their incorporation because of a lack of efficient control mechanisms through internal audit has harmed organizational effectiveness. Furthermore, organizational effectiveness requires teamwork which cannot be done by the internal auditor alone without support from other management staff and need to work independently. This would not only lead to cost reduction and effective utilization of company's resources but also achieving organizational goals. This may hinder internal audit practice among SMEs.

The prior research we studied (Dahir & Omar, 2016; Alflahat, 2017; Ahmad, 2018; Kabue, 2020) concentrated on the impact of internal auditor traits on organizational success, including



independence, competency, and departmental size. It was noted that none of the earlier studies examined in Nigeria had looked at how the internal audit unit's support from the audit committee and its compensation affected an organization's effectiveness (see Ejoh & Ejom, 2014; Bello, et al., 2017; Ekwueme, 2018; Dauda & Olawale, 2019; Olukayode & Ndubisi, 2020). Given the issues, it is necessary to look at how internal auditing practices affect organizational effectiveness among SMEs in Kwara State. As a result, the gap created by the other investigations was filled by this study.

### LITERATURE REVIEW

#### Conceptual Review

##### **Auditing and Internal Audit Practice**

When it comes to reporting and monitoring procedures within a corporation, internal audit is a strategic activity. Internal audit, according to Adeniji (2004), is an examination of a company's organizational structure that may resemble a statutory audit in many ways but is carried out by personnel who are solely accountable to management. The purpose of internal auditing is to offer value and enhance an organization's operations. It is an impartial, unbiased assurance and consulting activity. Its responsibilities include identifying, minimizing, and mitigating fraud risks in audits and investigations (IIA, 2010).

Internal audit, according to Unegbu and Kida (2011), is "a component of the internal control system developed by management of an organization to guarantee correct adherence to the prescribed policies and procedures in order to fulfil management objectives." According to this definition, the internal auditor is a component of the internal control system set up within the company with the objective of assessing the efficacy and efficiency of other controls put in place by management. The efficacy of internal control systems is evaluated, as are management's responses to circumstances that do not pan out as expected. Internal auditing, to be effective, employs a variety of processes and work approaches, performs a thorough overview and comprehensive review of processes by analysing the working practices used in the corporation, its management structure, and its operations, adds value to a business value, and provides assurance that its internal control system is functional (George-Silviu, 2014).

This demonstrates that an internal audit unit cannot operate independently. Therefore, there are things to think about to make sure that the internal auditor is safe from risks, both internal and external. Different proxies of internal audit procedure have been considered in earlier research, including those by Mahachi (2018), Alzeban (2019), Kabue (2020), Hazaea, Tabash, Zhu, Saleh, & Farhan (2021), Yudianto (2021), Mulyani (2021), and Winarningsih (2021). These include, but are not restricted to, the completely independent of the internal auditor, management support, the connection between the internal and external auditor, the compensation package for the internal auditor, the assistance of the audit committee, the size of the internal audit unit, and the competence of internal auditors, amongst many other things. This research concentrated on the use of internal auditor information technology, and their remuneration packages.



### **Organizational Effectiveness**

Since the development of organizational theory, one of the most divisive and challenging topics has been organizational effectiveness (OE) (Rojas, 2000). On how to define this idea, there is still a lot of disagreement in the literature. There are many ways that scholars have sought to establish OE. According to Federman (2006), the idea of OE covers problems like the organization's capacity to access and utilize resources optimally to accomplish its goals. According to Yuchtman and Seashore (1967), a company's organizational effectiveness is determined by its capacity to seize environmental chances and obtain and allocate limited resources. There is no one model for organizational effectiveness that applies to all organizations. Balduck and Buelens (2008) assert that the four primary approaches for measuring organizational effectiveness are the system resource strategy, the goal method, the strategic constituency view, and the competing values approach. These four methods are central to the discussion of effectiveness in organizations. The memory utilization method, according to Campbell (1977) and Cameron (1981), focuses on inputs, resource acquisition, and internal processes. The attainment of results like profits, invention, and perfection is the emphasis of the goal method. The expectations of significant stakeholders and their interests that span organizational boundaries are the focus of the strategic constituency strategy. The conflicting values method emphasizes adaptability, internal and external attention, and a focus for aims against means.

### **Theoretical Framework**

The principles of resource-based theory served as the study's guiding principles. The resource-based theory assumes that a company with both internal and external resources will not only accomplish its goal but will also gain a competitive advantage over its rivals. According to the resource-based theory, internal audit employees cannot effectively carry out their duty without the cooperation of management and other staff members as well as enough resources. Furthermore, the theory assumed that organizations with unique and uncommon internal audit employees would be able to function successfully by lowering illicit practices and offering a framework that would assure continual improvement. Additionally, the resource-based theory assumed that a company with a high likelihood of achieving its goal may integrate its internal and external resources (internal and audit committee). This is because the two resources act as surveillant agents and, when combined, can help the organization reduce any irregularities committed by its management and staff through the implementation of internal controls systems, enhance its framework for risk management, ensure efficient corporate governance, cut down on waste, and produce high-quality goods at lower costs.

### **Empirical Review**

With support from a few chosen local governments in Zamfara State, Nigeria, Dauda and Olawale (2019) assessed the role of auditing on organizational performance of the public sector. A well-structured questionnaire that was given to fifty-five (55) respondents in the chosen Local Government councils in Zamfara State was used to gather the data, and chi-square was employed to evaluate the results. The study's results showed, among other things, that the administration of the Local Government and the internal audit department had a substantial link. Effective internal



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audits of public sector finances and accurate reporting of stewardship by accounting officials also have a major link.

Kabue (2020) used the Parliamentary Service Commission of Kenya as a case study to examine the impact internal audit practice has on the effectiveness of governmental commissions in Kenya. The data was analysed using descriptive procedures using descriptive statistics including mean, frequency, percentages, and standard deviations applied on copies of questionnaires given to fifty-seven (57) respondents. The qualitative information was gathered via content analysis. Tables and graphics were then used to show the data. Multiple regression analysis was used to establish the relationship between the variables. The findings showed that internal audit significantly and favourably impacted the performance of Kenya's governmental commissions. Performance benefited much and significantly from internal audit knowledge. Performance was improved but not significantly by internal audit procedures. The performance was impacted favourably and significantly by top management's support of internal audit.

In a similar vein, Mustari, Rusibana, and Nzamalu (2020) looked at the relationship between the financial performance of Rwandan commercial banks and the internal audit profession. Eighty-seven (87) employees were chosen as the sample for this research and served as the target responder in the descriptive and correlational research design. The sample was given structured questionnaires, and 79 of them were completed and returned. According to the regression equations that used audit independence, professional competence, and audit due diligence as predictor variables, both audit independence and professional competence have a favourable impact on ROA, ROE, and interest margin.

Olukayode and Ndubuisi (2020) looked on how internal audit and control affected the accomplishment of organizational goals at a few deposit money banks in Ojo and Amuwo Odofin, Lagos. The study employed a sample of 160 employees from ten (10) banks as its sample size. Using the statistical program for social sciences, the information gathered from the distribution of questionnaires was examined using basic regression analysis (SPSS). It was shown that the combined function of internal audit and control significantly improves the banks' ability to generate revenue and profits. In conclusion, internal audit and control contribute to the achievement of company goals.

The impact of internal auditing on the financial performance of Nigerian commercial banks was studied by Ezejiofor and Okolocha in 2020. The study's sample includes managers, internal control officers, fund transfer officers, and cash officers from each of seven branches of five chosen commercial banks in the Nigerian state of Enugu. The researchers used frequency counts, mean scores, and standard deviation to examine the study's data. The analysis showed that internal audit controls and procedures have a favourable impact on the financial health of Nigeria's commercial banks.



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Within Indonesian state-owned enterprises, Setiawan, Manurung, Hamsal, and Soepriyanto (2021) looked at the impact of internal audit, IT capabilities, and the CRO function on firm performance, which was then tempered by listed status. The number of State-Owned Enterprises in Indonesia utilised was 114. However, a deliberate nonprobability sampling method was used to choose just fifty (50) organizations. The results of the partial least squares regression analysis shown that the installation of ERM in relation to company performance has been favourably impacted by internal audit, IT competence, and CRO role.

An evaluation of the effects of internal audit on the financial performance of Yemeni commercial banks was conducted in 2021 by Hazaea, Tabash, Zhu, Saleh, and Farhan. Nine commercial banks in Yemen, each with 23 branches, were given 90 questionnaires to complete to collect the study's data. These banks are all regulated by the Central Bank of Yemen. According to the results of the ordinary least squares regression, Yemeni commercial banks' overall performance is significantly impacted by internal audit. The outcomes also demonstrated that the efficiency of the auditors along with their knowledge of finance and accounting had a substantial and advantageous influence on financial performance. It was discovered that internal auditors' independence and objectivity had very little impact on financial performance. However, financial performance is negatively and significantly impacted by the size of IA and the frequency of the auditors' meetings.

Yudianto, Mulyani, Fahmi, and Winarningsih (2021) looked on how state-owned universities that are both legal entities and public service organizations perform in terms of internal audit quality and enterprise risk management implementation. The chief/auditor of the internal audit department of universities provided the researchers with data for their explanatory study and questionnaire tools. The results of partial least square regression analysis revealed that internal audit quality and enterprise risk management implementation had a favourable and substantial impact on the performance of state-owned universities serving as legal entities and public service agencies in Indonesia. Internal audit quality and effective business risk management implementation are necessary for raising university performance.

Benjamin, Dada, and Adegbite (2021) looked at the impact of internal auditor risk assessment on the performance of Nigerian listed firms. The research design for the study was survey-based. Twenty-four (24) firms were chosen for the study's population from the eleven industrial sub-sectors among the 116 companies registered on the Nigerian Stock Exchange as of November 30, 2019. The sample size is five hundred and one (501), which includes 401 internal auditors and 100 senior management employees and represents 10% of the population. The sample frame is five thousand and twelve (5012). 87.43% of respondents to a structured questionnaire that used a five-point Likert scale responded. The twenty-four (24) firms were picked using a random sample approach, with one company from each sector being chosen. The outcome showed that internal auditors' risk assessments (RA) have a beneficial impact on the efficiency (EFFTV) of Nigerian listed firms.



### **Hypotheses Development**

To examine the effect of internal audit practice on organizational effectiveness using SMEs in Kwara State as evidence. This study focused on the following: internal auditor's remuneration package and internal auditor's information technology, because these factors are more likely to influence organizational effectiveness.

### **Internal Auditor's Remuneration**

According to Rezaee's (1995) argument, a firm or corporation's internal auditors must be paid for their services or employment, which is referred to as internal auditor's salary or remuneration (Mohammed, Abdullahi & Masuod, 2009). Mohammed et al., (2009) held that in addition to the base income, internal auditors are also awarded extra financial and non-financial perks during the course of a fiscal year, overall, this is expected to affect an entity's effectiveness drawing from the internal controls put in place as a result of recognizable audit remuneration. For the purposes of this study, internal auditor compensation is defined as base pay together with additional intrinsic and extrinsic perks such consistent advancement, pay based on effort and work risk, and annual perquisite, among others. Additionally, research on compensation from the Institute of Internal Auditors (IIA) show that salaries have increased in recent years (IIA, 2017a; 2015a, b). This growth may also be interpreted as a sign of increased respect for the job of senior audit executives and the general effectiveness of the company. Consequently, the following hypothesis was put out:

**H<sub>01</sub>:** Internal auditor's remuneration has no significant relationship with organizational effectiveness.

### **Information Technology**

Most firms largely rely on information technology to meet the challenge of tough worldwide competitiveness (IT). There are several materials in audit IT literature that may help practitioners with their work. For instance, the control goals for information and related technologies provided by the Information System Audit and Control Associations (ISACA) give a thorough collection of prospective controls and checklists. Information technology is the performance of the needed activity by combining computer technology and telecommunication with other technologies such as hardware, software, databases, network technology, and other telecommunications equipment (Setiawna, et al., 2021). Systems of organizational information employ information technology to give users access to information for use in making decisions (Maharsi, 2000). Of these technological instruments, GAS is the most well-liked and commonly employed (Mahzan & Lymer, 2014; IIA, 2016; Van der Nest, Smidt, & Lubbe, 2017). The internal auditor can use Generalized Audit Software to pull data from many sources (such as databases and files) from an organization's integrated systems to do in-depth analyses of this data (Lin & Wang, 2011; Ahmi & Kent, 2013).

Additionally, the International Auditing and Assurance Standards Board (IAASB), (IAASB, 2015 International Standard on Auditing (ISA) 330 par. A16), also calls attention to the use of CAATs by auditors, particularly in situations where they want to increase the scope of testing to gather convincing audit evidence while performing their duties. Most organizations nowadays are affected by information technology (IT) changes because of the rapid advancements in technology.



These changes often lead to the development of an increasing amount of audit evidence, which is now nearly entirely available in electronic format. Internal auditors' use of information technology was assessed using online routine audits, responding to urgent issues and recording their success, updating the departmental server frequently to keep up with trends, reducing the number of online irregularities, making sensitive data scanning tools available on desktops and laptops, and ensuring data security and backup (Ahmi & Kent, 2013; Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2013; PwC, 2014; Insight). With all these in mind, the study develops the following hypothesis:

**H02:** Internal auditor’s information technology has no significant relationship with organizational effectiveness.

**METHODOLOGY**

**Research Design, Population and Sample**

This study focused on industrial organizations in Kwara State and investigated how internal audit practices affected organizational effectiveness. This research uses a survey research methodology. The Heads of Internal Audit Units and Senior Audit Staff of Manufacturing Companies Under SMEs in Kwara State as of January 31, 2022, are the study's target respondents. At that time, the Kwara State Internal Revenue Service (KWIRS) in Kwara State had four hundred and fifty (460) registered SMEs in the manufacturing/agro-allied sector. Nine hundred and twenty (920) respondents were therefore chosen for this survey from each firm. This is the study's sample population.

The study's sample was selected from the previously mentioned total population. There were 279 responders overall, making up the study's sample size. The Yamane (1967) statistical approach for calculating sample size was used to determine the study's sample size.

$$n = \frac{N}{(1+N* e^2)}$$

**Where:**

n = sample size, N= entire Population, e = Significance level (5% level of significance).

$$n = \frac{920}{(1+(920* 0.05^2))}$$

$$n = 278.78$$

$$n = 279 \text{ respondents.}$$

**Data Collection Method, Validity and Reliability Test of the Instrument**

The head of the internal audit unit at each of the agencies included in the study was given a standard questionnaire, which was used to collect most of the data for this study. The questionnaire was created using a Likert scale, which has four options: strongly agree, agree, disagree, and disagree strongly. The replies were categorized using an ordinal scale, with numbers assigned ranging from 4, 3, and 1 for each response. The questionnaire utilized in this study used items that were modified from earlier literature (such as Ekwueme, 2018; Dahir & Omar, 2016; Abdul-Fattah, et al., 2017; Alflahat, 2017; Ahmad, 2018; Kabue, 2020).



The Cronbach-Alpha test was used to conduct the reliability test. The dependability or internal consistency of a data collection is measured by Cronbach's alpha. It evaluates the dependability of several Likert scale survey items. Generally, a Cronbach alpha value between 0.7 and 0.9 is considered acceptable (Pallant, 2003).

**Measurement of Variables**

The dependent variable in this study is organizational effectiveness, which was measured by lower input costs, obtaining high-quality inputs from employees and raw materials, growing market share, rising stock price, gaining stakeholders' support, reducing the number of defects, cutting production costs, enhancing customer service, cutting delivery times to customers, raising product quality, and improving employee coordination and motivation (Alflahat, 2017; Bello, et al., 2017; Ekwueme, 2018; Ahmad, 2018; Kabue, 2020). Internal audit practice, together with the compensation package and IT expertise of the internal auditor, serves as the independent variable. Promotion, incentives based on effort, incentives based on job risk, compensation for official work performed outside of the organization, and intrinsic rewards were used to gauge the internal auditor's remuneration package (IIA, 2017; Belize Code of Ethics, 2018) Internal auditors' IT expertise was assessed using online routine audits, which also tracked their responses to urgent issues, reductions in the number of online irregularities, availability of desktop/laptop computers on which sensitive data scanning tools were deployed, security measures, and data backup (Arena 2013; Alzeban & Gwilliam, 2014; Asiedu & Deffor, 2017; Kabuye, et al., 2017; Ziniyel et al., 2018).

**Model Specification**

This study investigated the effect of internal audit practice on organizational effectiveness of selected companies in Kwara State. To test the hypotheses to achieve the objective stated, this study adapted the model of Bello, CheAyoib and Yusof (2017). The model of Bello, et al. (2017) was stated as:

$$OP = b_0 + b_1IAC + b_2IAI + \epsilon_i \dots\dots\dots (1)$$

**Where:** OP = organizational performance; IAC = internal audit competency; IAI = internal audit independent

The model of this study is a modification of Bello, et al. (2017) model. The model of this study is written as:

$$OEF_i = f(\text{internal audit practice})$$

$$OEF_i = \beta_0 + \beta_1IAITK_i + \beta_2IARS_i + \epsilon_i \dots\dots\dots (2)$$

**Where:**

OEF = Organization Effectiveness; IAITK = Internal Auditor’s Information Technology Knowledge; IARS = Internal Auditor’s Remuneration Structure; b<sub>0</sub> = Constant Coefficient; b<sub>1</sub>- b<sub>2</sub> = Parameters of the estimate; ε<sub>1</sub>= Error term (5% significance level).

**RESULTS AND DISCUSSION**

**Analysis of the Data Sampled**

<b>Table 4.1 Analysis of Questionnaire Distributed</b>	<b>Column 1</b>	<b>Column 2</b>
<b>Response</b>	<b>Frequency</b>	<b>Rate (%)</b>
Number of questionnaires administered	279	100
Number questionnaires returned	215	77
Returned and usable questionnaires	206	96
Returned and excluded questionnaires	9	4

Two hundred and seventy-nine (279) copies of the questionnaire were given to the sample respondents, according to the results in Table 1, but two hundred and fifteen (215) copies were returned, or seventy-seven percent (77%) of the questionnaire that was given out. However, 236 questionnaire copies—representing 96% of the questionnaires returned—were correctly filled out and returned, whereas 9 copies—representing 4% of the questionnaires returned—were incorrectly completed. The questionnaires filled out incorrectly were removed by the researcher. As a result, the analysis of the study was based on 206 copies of the questionnaire that were correctly completed and valid.

**Descriptive Analysis of the Respondents’ Demographics**

The results and analysis of the demographic profile of the respondents based on the completed questionnaire are shown in table 2 below. Table 2's results showed that 176 respondents, or 85% of the total, were male and 30 respondents, or 15%, were female. Of the 176 respondents, 176 (or 85%) were men. When compared to their female counterparts, this shows that a relatively high percentage of SMEs in Kwara State employed men as their internal auditors.

**Table 2: Summary of the Respondents’ Demographics**

<b>No</b>	<b>Item</b>	<b>Description</b>	<b>Frequency</b>	<b>Percent</b>
1	Gender	Male	176	85
		Female	30	15
		<b>Total</b>	<b>206</b>	<b>100</b>
2	Age	Below 30 Years	0	0
		30-35 years	96	47
		36-40 Years	44	21
		41-45 Years	47	23
		46 year and above	19	9
		<b>Total</b>	<b>206</b>	<b>100</b>
3	Marital status	Single	12	6
		Married	194	94
		Divorced	0	0
		Widow/Widower	0	0
		<b>Total</b>	<b>206</b>	<b>100</b>



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4	Educational Qualification	HND/B.Sc.	64	31
		M.Sc./MBA	84	41
		Professional Qualification	58	28
		<b>Total</b>	<b>206</b>	<b>100</b>
5	Work Experience	5-10 years	116	56
		11-15 years	35	17
		16-20 years	32	16
		26 years and above	23	11
		<b>Total</b>	<b>206</b>	<b>100</b>

According to table 2's results, none of the respondents are younger than 30 years old; 96 respondents are between 30 and 35 years old, which accounts for 47% of the total respondents; 44 respondents are between 36 and 40 years old, which accounts for 21%; 47 respondents are between 41 and 45 years old, which accounts for 23% of the total respondents; and 19 respondents are over 41 years old, which accounts for 9% of the total respondents. This demonstrates that the majority of the sample's respondents are mature enough to offer pertinent responses to the questionnaire's items.

In addition, the results in Table 2 showed that twelve (12) respondents, or six percent (6%) of the respondents, are not yet married; one hundred ninety-four (194) respondents, or ninety-four (94%) of the respondents, are married; none of the respondents, however, are neither single nor divorced. According to table 4.2's findings, sixty-four (64) respondents have either a Higher National Diploma or a Bachelor of Science, which accounts for thirty-one percent (31%) of all respondents; eighty-four (84) respondents have an M.Sc. or MBA, which accounts for forty-one percent (41%) of all respondents; and fifty-eight (58) respondents have professional credentials like ICAN, ANAN, and ACCA certificates, which accounts for twenty-eight percent (28%). This shows that the respondents possess the necessary training, professional credentials, and ability to provide insightful answers to the survey's questions.

The results in Table 2 also revealed that 116 respondents, or 56% of the total, have work experience between five and ten years; 35 respondents, or 17% of the total, have work experience between eleven and fifteen years; 32 respondents, or 16%, have work experience between sixteen and twenty years; and 23 respondents, or 11%, have work experience between twenty-one and twenty-five years. Given that most of the respondents have been employed by the internal audit department for longer than five (5) years, it is implied that the replies provided would be reliable.

**Diagnostic Tests**

The skewness and kurtosis of the obtained data's normal distribution are displayed in table 2 below consequently.

Constructs	N	Mean	SD	Skewness	Kurtosis
Internal auditor's remuneration	206	3.42	0.68	0.07	0.23
Information technology knowledge	206	3.35	0.58	-0.3	0.37
Organizational effectiveness	206	3.12	0.47	0.22	-0.23

**Source: Author's Computation, 2022**

Since none of the variables' values fall beyond the range of -3 to +3, the conclusion that all variables do not suffer from difficulties with normality distribution may be drawn from the result in table 2.

**Table 4.2.1 Multicollinearity Result**

Variables	VIF	Tolerance
Internal auditor's remuneration	1.33	0.75
Information technology knowledge	1.25	0.8

The data on table 4.3 outcome shows that none of the independent variables have VIF values greater than 5. Since none of the independent variables had variance inflation factors larger than 5 or tolerance values greater than 5% threshold of significance, this demonstrates the lack of a multicollinearity issue.

Construct	Items	Loadings	Cronbach h	rho_A	Composite	AVE
Organization effectiveness	OEF1	0.865	0.88	0.927	0.904	0.58
	OEF2	0.736				
	OEF3	0.436				
	OEF4	0.7				
	OEF5	0.841				
	OEF6	0.828				
	OEF7	0.843				
Internal Auditor's Remuneration Syst	IARS1	0.397	0.779	0.849	0.838	0.53
	IARS2	0.814				
	IARS3	0.857				
	IARS4	0.836				
	IARS5	0.77				
	IARS6	0.309				
Internal Auditor's Information Technology Knowledge	IAITK 1	0.663	0.769	0.793	0.768	0.57



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IAITK 2	0.008
IAITK 3	0.319
IAITK 4	0.726
IAITK 5	0.504
IAITK 6	0.827
IAITK 7	0.778

The results of the reliability test used to assess the internal consistency dependability using composite reliability are shown in the above table revealing findings that the questionnaire's questions are trustworthy since the composite reliability values for each latent variable are higher than the industry standard of 0.70. Internal auditor IT expertise is the hidden variable with the lowest composite reliability values, with a value of 0.504, while organizational effectiveness has the greatest composite reliability value, with a value of 0.865.

## Discussion of findings

The findings of the regression analysis on the impact of the independent factors and dependent variable are shown in the table below.

PLS-SEM Regression Analysis Results					
Variables	Beta coefficient	Standard deviation	t-value	p-value	
IARS	0.289	0.097	2.99	0.003	
IAITK	-0.143	0.111	-1.282	0.201	
R2	0.468				
Adjusted R2	0.429				

The above regression results indicate that the remuneration package for internal auditors has a substantial and positive impact on the organizational effectiveness of SMEs in Kwara State. The explanatory power of the variables—internal auditor remuneration structure and internal auditor IT knowledge—accounts for approximately 42.9% of the changes observed in the dependent variable, which is organization effectiveness. The T-value of 2.990 and a low p-value of 0.003 at the 5% significance level validate the significance of the remuneration structure. Consequently, the rejection of the null hypothesis and acceptance of the alternative hypothesis suggest that a well-compensated internal auditor is more likely to fulfil administrative and functional responsibilities in a manner beneficial to the business. This finding aligns with the resource-based theory, emphasizing that human resources, when adequately incentivized, contribute positively to organizational effectiveness.



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Contrastingly, with respect to the information technology usage by internal auditor, internal auditors' use of information technology has a negligible and detrimental impact on the productivity of SMEs in Kwara State. T-value of -1.282 and p-value of 0.201 at 5% significance level corroborate this. This resulted in the alternative hypothesis being rejected and the null hypothesis being accepted. According to the null hypothesis, internal auditors' use of information technology has no appreciable impact on how well SMEs in Kwara State run their businesses. This suggests that the organizational performance of SMEs in Kwara State would be impacted by whether an internal auditor is knowledgeable about the use of information technology or not. However, the result goes against the premise of resource-based theory, which held that a human resource (in this case, an internal auditor) cannot perform his job well without adequate structural facilities (such as information technology facilities), which would help him perform his duties well and, as a result, improve organizational effectiveness. The finding suggests that contrary to the resource-based theory, the mere possession of IT knowledge by internal auditors does not necessarily translate into improved organizational effectiveness for SMEs in Kwara State.

### CONCLUSION AND RECOMMENDATION

The study highlights the importance of remuneration structures for internal auditors in enhancing organizational effectiveness among SMEs in Kwara State. The study indicated that internal auditors' use of information technology was minimal, but that their compensation had a large and beneficial influence on organization effectiveness among SMEs in Kwara State, according to the results of the hypotheses that were examined in this study. The findings suggest that a well-compensated internal auditor would be more dedicated to his profession, uncover and report any anomalies in the business, and take the required action to cut down on resource wastage, protect the firm's assets, keep costs down, and gain market share. This aligns with the resource-based theory, emphasizing the significance of investing in human capital. However, the unexpected findings regarding the limited impact of internal auditors' IT knowledge challenge the assumptions of the resource-based theory, urging further exploration into the nuanced relationship between human resources, technological infrastructure, and organizational efficiency in the context of SMEs.

This kind of research would never be conducted without constraints. This study used sample representation, as with other behavioural research, although it might be difficult to perform research using a sample that is truly representative of the community. Generalization is a significant difficulty in this situation. This study is further constrained by the chosen metrics. These restrictions did not, however, have an impact on the study's conclusions because there was sufficient empirical support for them, and the findings were trustworthy. Future research should investigate the specific factors or conditions that may influence the relationship between internal auditors' IT expertise and organizational effectiveness. This could involve examining the types of IT infrastructure most beneficial for SMEs, potential barriers to effective IT utilization, and the role of training and support mechanisms. Additional research may also broaden the study's focus and consider characteristics not typically employed in internal audit practice, such the internal auditor's competency, the size of the internal audit unit, and the interaction between the internal



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and external auditors. By addressing these implications, future research endeavours can contribute to a more comprehensive and nuanced understanding of the factors influencing the efficiency of SMEs, particularly in the realm of internal audit practices.

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