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Does Internal Audit Affect Financial Success? Evidence from Cameroon's Microfinance Institutions

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Abstract

In the pursuit of financial inclusion and economic empowerment, understanding the factors that enhance its performance is paramount in today's dynamic financial landscape in Cameroon. This study examines the effect of internal auditing on the financial success of microfinance institutions in Cameroon, focusing primarily on UNICS Plc. It specifically explores how auditors' independence and competence influence financial outcomes. Utilizing a quantitative research approach, primary data collection was facilitated through a self-report questionnaire distributed to 60 individuals in MFIs across Douala, Bamenda, Buea, and Yaoundé. After data cleaning and measurement model assessment, Ordinary least squares multiple predictive modeling techniques was applied to test the hypotheses. The results reveal a strong correlation between internal audit independence and competence and the financial performance of MFIs, enhancing accountability, reducing fraud, and ensuring regulatory compliance. Our findings underscore the essence to strengthen internal audit practices to promote sustainable growth and stability in Cameroon's financial sector, offering recommendations for policy and practice.

Keywords: Internal Audit, Microfinance Institutions, Financial Performance

Introduction

The microfinance sector in Cameroon has significantly developed over the years, largely due to a range of financial initiatives and regulatory frameworks implemented by the Government, COBAC, and international organizations. Internal audit is a systematic process that mostly involves evaluating, risk management, inspecting papers, conducting operational reviews, and presenting findings to key stakeholders, including executives, the board of Directors, or external auditors. By enhancing organizational objectives and facilitating communication across organizational departments, internal audits can positively impact company's value. It's necessary to define Internal Auditing by the IIA (2016) as value added activity to the organization's overall operations, providing objective assurance, independence, and consultation. Its primary purpose is to support executives in their duties by providing them with the necessary inspection, independent evaluations, assessments and approvals for their work [1]. The initial microfinance models have evolved into three main categories, shaped by regulatory frameworks. The first category, known as formal suppliers (1st tier), includes savings and loan companies, rural banks, and certain cooperatives, established under Law No. 90/053 and Law No. 92/006. Fotabong (2012) noted that since the 1990s, the sector has lacked clear regulatory guidelines [2,3]. Despite MINFI/COBAC's efforts, challenges such as inadequate internal controls and governance persist. It remains unclear which macro-environmental factors support successful MFIs in Cameroon. As access to financial services in rural areas gains paramount importance, comprehending the financial performance of these institutions is essential. Vanroose

(2007) identified factors influencing MFIs in Latin America, prompting the question of what similar factors affect MFIs in Cameroon [4]. Thus, examining the auditing functions within MFIs is crucial for addressing existing shortcomings.

According to Pickett (1976), internal audit is an independent and objective function that enhance organizational operations and adds value [5]. It assists organizations in achieving their objectives by systematically evaluating and improving risk management, control, and governance processes. As organizations grow, the necessity for a robust internal auditing function becomes increasingly important [6]. In the 1930s, the Securities and Exchange Commission (SEC) mandated that firms provide audited financial statements to be listed on the stock exchange [7]. Research by Dezoort and Holt (2009) highlights how internal audit reports can enhance the perceived reliability of financial reporting, thereby boosting investor confidence [8]. Pickett (2003) emphasizes that internal audits are vital for monitoring ethics and governance within institutions [9]. Recent corporate scandals have further underscored the critical role of internal auditing in preventing fraudulent activities and promoting accountability while ensuring organizational integrity.

Beyanga (2011) asserts that a robust internal control can significantly reduce operational costs, identify opportunities for enhancing efficiency, and minimize potential losses from inadequately protected company assets, all of which can greatly impact an organization's financial performance [10]. He describes internal audit as a vital management tool for improving financial performance." Additionally, Hermanson and Rittenberg (2005) contend that effective internal audit functions are linked to improved organizational performance [11]. The collapse of CONFINEST, a major player in Cameroon's microfinance sector in 2011, prompted regulatory authorities to increase oversight and supervision of microfinance activities.

Financial performance is a key indicator of a firm's policies and operations, measured in monetary terms [12]. Various aspects of microfinance institutions (MFIs) performance can be analyzed. According to research by Muga (2012), profitability can be evaluated at both institutional and macro levels. At the firm level, profit is crucial for sustainability and competitiveness serving as a vital indicator of a microfinance institution success [13,14]. At the macro level, profitability indicates an MFI's resilience to adverse market conditions and its contribution to maintaining financial sector stability. Schiuma (2003) identified three key performance indicators which include Return on Assets (ROA), Return on Equity (ROE), and Return on Investment (ROI) [15]. Regulators frequently utilize ROA and ROE to evaluate performance and predict future trends. Regulatory measures by MINFI, in partnership with external auditors, have strengthened internal controls. Data from COBAC shows that equity capital surged from CFA 3 billion francs in 2000 to CFA 19.9 billion francs in 2006, with current estimates around CFA 23.5 billion francs, reflecting enhanced capitalization ratios in the microfinance sector.

Recent financial crisis and the growing demand for enhanced disclosure and accountability, underscoring the importance of integrity in financial disclosures have led to two significant outcomes. Notably, the role of internal auditors has become increasingly vital, as their expertise is essential for detecting sophisticated financial misreporting that obscure financial statements. Furthermore, public pressure for reform and subsequent regulatory interventions have transformed corporate governance frameworks. In recent years, the Cameroon microfinance sector has made significant strides, driven by the efforts of key stakeholders, including the government, microfinance institutions (MFIs) and development partners. This growth trajectory is evident in the expansion of microfinance activities, improved access for vulnerable customers, and more flexible service conditions aimed at combating poverty. However, since 1990, the sector has encountered serious challenges, particularly following the economic crisis that led to the devaluation of the currency in 1994. Additionally, many microfinance institutions have struggled to meet the required prudential standards for the solidarity fund. The difficulties facing the sector include issues related to control and supervision, regulatory frameworks, and the establishment of microfinance enterprises.

A pressing challenge confronting the microfinance institutions (MFIs) in Cameroon is that, contrary to expectations, this sector has become one of the most heavily regulated industries. This increase in regulation is largely due to the significant growth of MFIs, evidenced by rising deposits, loans, and capital bases. As these institutions expand and become more complex, their internal control systems also grow in size and intricacy. Anita (2010) notes that MFIs are not exempt from having weak internal controls, which can lead to unaddressed operational errors [16]. Such weaknesses may result in human or system errors that misallocate interest and financial transaction figures to incorrect accounts, potentially leading to substantial future losses. Therefore, internal auditors must have unrestricted access to organisational information, given their pivotal role in ensuring the integrity of corporate governance systems. An effective internal audit function benefits all stakeholders by enhancing the overall value and foundational elements of corporate governance [17]. Although the "Framework for Internal Control Systems of Credit Establishments and MFIs in Cameroon" emphasizes the board's critical role in determining the mandate of internal audit activities, encourages direct reporting to the CEO and functional reporting to the audit committee, the regulation "Règlement COBAC R-2001/07" does not specify the reporting relationships. Instead, it merely impact the effectiveness of the internal audit function [18].

Moreover, the oversight of financial disclosures and board governance practices within microfinance institutions (MFIs) have not received sufficient attention from the internal auditing activities in recent years. Following the emergence of the microfinance sector in Cameroon, particularly in light of various corporate scandals and the 2008 global financial crisis, these institutions have largely failed to implement the guidelines provided by the Basel Committee and COBAC

regulations effectively. The Cameroonian government and Bank of Central African States (BEAC), through COBAC, are actively working to restore trust and stability in the financial market. Despite these challenges, Cameroonian MFIs maintain a significant presence in the international microfinance landscape. However, it would be beneficial to evaluate the nexus between internal audit effectiveness and financial outcomes within these institutions.

This study seeks to investigate the intricate dynamics between internal audit autonomy, proficiency, and financial sustainability of MFIs in Cameroon. Recent literature highlights three critical research gaps: first, there is a lack of exploration into how internal audit systems affect corporate objectives, especially in the manufacturing and financial sectors. Second, the challenges associated with adopting modern auditing techniques, such as data analytics, remain under-explored, thereby constraining audit efficacy. Lastly, the expertise and autonomy of internal auditors, along with their impact on audit quality and financial success, require further investigation, as existing studies do not adequately cover the necessary training and resources to uphold auditor objectivity.

To fill this gap, this study aims to investigate the extent to which internal audit functionality impacts financial performance outcomes, with a focus on auditor independence and competence. By understanding the connections between these variables, MFIs can enhance their audit quality to align with institutional expectations and ultimately improve financial performance. The remainder of this paper is organized as follows: Section one presents the extant literature, while Section two outlines the research methodology employed, Section three presents data analysis, results presentation, and the fourth discusses the findings, offers a general conclusion, and highlights the key implications of the research for managerial practice and policy.

Literature Review

Theoretical Consideration

Financial auditors employ various techniques, such as interviews, observations, and substantive testing, to evaluate whether the efficacy of internal controls and accounting systems in generating reliable financial reports. This enables them to determine the reliability of the financials [19]. During the audit process, auditors collect information to evaluate whether the financial statements are presented in accordance with applicable accounting standards and fairly reflect the financial position of the entity (PCAOB Release NO.2017-001) [20]. The rationale behind the hiring of internal auditors by organizations can be posed as follows: what value do internal auditors bring to an organization despite not being responsible for certifying financial reports? Instead, their primary focus lies in evaluating and enhancing the efficacy of internal controls, which can vary across institutions. Consequently, external auditors may opt to place greater reliance on the work of internal auditors, contingent upon their assessment of the internal audit function's quality. Moreover, organizations with rigorously audited financial statements are less likely to engage in illegal activities, as the transparency and accountability afforded by auditing serve as a deterrent. Ingram (2019) notes that an audit plays a crucial role in validating a firm's assertion regarding the accuracy and reliability of its financial statements, reflecting its position and performance to stakeholders [21]. Various external parties, including fiscal tax authorities, financial institutions, regulators, suppliers, customers, and employees, require assurance that the financial statements present fair and unbiased representation of the firm's financial situation in all material aspects, ultimately serving the interest of shareholders.

Agency theory describes the contractual relationship between an agent and a principal, wherein the principal delegates decision-making authority and responsibility to the agent, often for a fee [22]. This theoretical framework also encompasses the stewardship of productive resources owned by one party on behalf of another (Millichamp and Taylor, 2008). Drawing on Adams (1994), seminal work, agency theory offers a valuable lens through which to examine the internal audit function, positing that internal auditing, like other mechanisms such as financial reporting and external audits, helps maintain cost-effective oversight and accountability for owners and managers, including activities like financial and operational auditing [22]. Jensen and Meckling (1976) explored performance evaluation methods related to five types of organizational centers: cost, revenue, profit, investment, and charges, each serving as a performance measurement center [23]. A thorough analysis of agency theory indicates that internal auditing minimizes costs and reduces risks associated with organizational activities. Effective internal controls are essential for addressing agency issues, as noted by Lindsay (2015) [24]. Banks with robust internal controls can better manage agency problems, lower agency costs, and prevent fraudulent profit reporting that could lead to resource loss. Consequently, effective internal controls bolster financial statement reliability, mitigate asset loss risk, and foster operational efficiency and regulatory compliance.

Schumpeter recognized the pivotal role of financial intermediaries in fostering economic development, highlighting their significance in facilitating economic growth as early as 1911. He argued that financial institutions accelerate economic growth by mobilizing savings from surplus units, managing risks, handling complex transactions, and evaluating business projects. In his economic development theory, he emphasized that financial institutions are crucial for economic expansion [25]. Similarly, microfinance institutions, through their incremental initiatives, can lead to significant economic impacts globally.

Empirical Consideration

Cooper and Craig (1996) pioneering study laid the groundwork for understanding the role of internal audit in the Asia

Pacific region found several issues concerning the profession [26]. CEOs expected internal audit to extend beyond traditional financial auditing, despite robust support for internal audit, the profession in Australia during the early 1980s struggled with an image problem due to the lack of a strong professional body. This seminal research set the stage for subsequent investigations in Australia, Hong Kong, and Malaysia contributing to a deeper understanding of performance auditing practices. Notably, Performance auditing is distinct from performance measurement, which falls under the responsibility of the entity's management [24]. More emphasis was laid on the Basel Committee's (2002) report emphasized the importance of a permanent internal audit function, mandating that senior management ensure an internal audit function commensurate with the bank's size and complexity, and provide necessary resources and staffing.

A compliance audit assess whether an entity's adherence to internal rules, regulations, policies, decisions, and procedures. Entities must comply with applicable local laws and regulations to mitigate the risk of penalties and fines, which can range from monetary amounts to operational shutdowns [27]. This leads to an analysis of the factors affecting the implementation of internal audit reports in Cameroonian MFIs. Internal audit standards can improve financial performance by ensuring auditors operate within approved criteria, maintaining professionalism and objectivity for better risk management through compliance with rules and regulations [28]. On a global front, Ebrahim, Abdullah, and Faudziah (2014), established internal auditing is a vital component of an organizational governance, encompassing oversight activities by the board of directors and audit committees to ensure the integrity of financial reporting [29].

Locally, Olumbe (2012) conducted a comprehensive survey of 45 commercial banks in Kenya, examining the nexus between internal controls and corporate governance [30]. The research found that most banks had implemented various measures to strengthen internal controls and enhance corporate governance. Beasley and Hermanson (2004) emphasized the importance of going beyond compliance with Sarbanes-Oxley by creating value through effective fraud risk management and internal controls [31]. They argued that proactive measures and comprehensive internal audits can significantly mitigate fraud risks within an organization. Boyle, Dezoort, and Hermanson (2015) examined how different fraud models influence auditors' risk assessments, finding that comprehensive fraud models help auditors better identify and evaluate potential fraud risks during audits [32].

Rasha Kassem and Umut Turksen (2021) examined the critical role of public auditors in financial success, highlighting the unique challenges they face compared to private auditors [33]. Their critical review outlined how public auditors can effectively detect fraud through improved audit practices and regulatory reforms. Bobek, Hageman, and Radtke (2010) focused on the ethical environments in accounting firms and their impact on financial success, finding that a strong ethical environment enhances auditors' ability to detect and report fraud [34]. Brazel, Carpenter, and Jenkins (2010) explored how brainstorming sessions among audit teams can improve financial success, suggesting that collaborative brainstorming helps auditors identify fraud risks more effectively [35]. Elder, Beasley, and Arens (2010) emphasized the critical role of external auditors in identifying and detecting fraudulent financial reporting, discussing the application of the fraud triangle model (motivation, opportunity, and rationalization) informing fraud risks [36].

Wells (2011) outlined responsibilities top management and governance bodies in fraud prevention, stating that while auditors play a significant role, the primary responsibility lies with the organization's management [37]. Auditors must evaluate the integrity of management and employ professional skepticism. Peter et al. (2019) examine the efficacy of forensic auditing in enhancing financial performance in Nigerian state-owned enterprises, highlighting how forensic auditing techniques can uncover fraudulent activities and prevent future occurrences [38]. Braun (2000) investigated the effects of time constraints on auditors' focus on qualitative aspects of financial irregularities, finding that time pressure negatively impacts auditors' ability to detect potential fraud indicators. Finally, Evelyn R. Patterson, J. Reed Smith, and Samuel L. Tiras (2019) examine the relationship between auditor tenure on financial performance, concluding that prolonged auditor tenure may compromise financial performance due to potential familiarity breeding complacency [39,40]. Overall, empirical evidence suggest a significant correlation between internal audit quality and organizational financial performance, contingent upon strict adherence to auditing standards. Therefore, adherence to internal audit standards enhances financial performance, by ensuring auditors perform their duties within established frameworks, maintaining professional competence and independence and promoting effective risk management through regulatory compliance [28].

Methodology of the Study

The study employed a quantitative correlational research design. The population comprised employees of financial institutions (microfinance) in Cameroon. A convenient sampling technique was used to select a sample of 60 employees from various financial institutions in major towns of Bamenda, Buea, Yaoundé and Douala, where financial service firms are highly concentrated. Primary data was collected through a self-administered structured questionnaire distributed to the selected respondents. The questionnaire items measuring internal audit and financial successes were developed using on a 5-point Likert scale. The independent variable, internal audit, was proxied by auditor competence and auditor independence. Each construct was measured using 5-item scale. The dependent variable, financial performance, was assessed through goal/objective realization, turnover, and productivity, consistent with prior studies [41].

The primary data was coded and analyzed using the Statistical Package for Social Science (SPSS V.25). Both descriptive and inferential statistics were utilized. A measurement model analysis was validated, and item questions were tested for validity and reliability using Cronbach's alpha. The nexus that exist between internal audit and financial success, were conducted using Pearson correlation analysis and ordinary least squares (OLS) regression analysis. Thus, a multiple regression model was employed to investigate the relationship between the dependent variable and the independent variables. The model specification is presented below.

$$FP = \alpha_0 + \alpha_1 AC + \alpha_2 AI + \varepsilon_t$$

Where; FP is financial performance; α_0 is constant; α_1 and α_2 are parameters to be estimated; AC represents auditors' competence and AI stands for auditor's independence; the error term.

Study Findings

Model Estimation and Validation

All variables considered in this study are crucial in influencing the financial performance of MFIs in Cameroon. To distill the most relevant information and mitigate multicollinearity, Principal Component analysis (PCA)-a form of factor analysis-was employed to reduce the dimensionality of the dataset. This approach enables us to identify the key components of the different variables that contribute significantly to explaining the impact of internal audit on the financial performance. A factor analysis based on the KMO model threshold of ≥ 0.5 -factor loading was used to check the validity of item questions, meanwhile, alpha Cronbach was employed to test the construct's reliability at the minimum cutoff threshold of ≥ 0.5 . The result indicated that all items were valid measures of the constructs and that the constructs were all reliable, as shown in Table 1 below

Construct/Variable	Standardized Factor Loadings	Cronbach's Alpha	Mean	Std. dev.
Internal auditors Independence		.8086	2.9806	.26943
How would you rate the level of independence of internal auditors in terms of operations in your organization?	.871			
Assess the impact of internal audit independence on the financial performance?	.757			
How do you assess the effectiveness of internal audit structure in promoting objectivity?	.783			
Does audit committee independence and audit functions autonomy contribute to				
improve financial performance in your organization?	.974			
Internal auditors' competence		.8818	3.4444	.35077
How do you evaluate internal auditor's overall performance in your organization?	.951			
How important do you perceive the role of internal auditors to be in your organization's risk management and financial oversight?	.901			
Are internal auditors' qualifications and expertise crucial in your organization?	.784			
Are there formal procedures in place for checking and maintaining internal auditors' qualifications and certifications by the management?	.885			
How do internal audit staff stay current with respect to changes in accounting standards, financial reporting requirements, and regulatory updates?	.888			
Financial performance		.8124	3.2556	.16372
Net income of the company has increased over time	.799			

Shareholders equity have increased over time	.869			
Shareholders' dividends have increased significantly over time.	.822			
Investors find the company very attractive	.815			
The company has experienced a persistent upward trend in profitability over time	.923			
The company's revenue has exhibited a steady and continuous growth trajectory over time of study	.801			
The return on investment(ROI) of this company has demonstrated a consistent and sustained increase over time	.658			
Source: Conceived by the authors				

Table 1: Descriptive Statistics and Factor Loadings

The summary statistics of the variables used in this study in function of their factor loadings, means, standard deviations, and their validity based on their Cronbach alpha coefficient. The results indicate that all items utilized in the study are valid, as evidenced by their individual factor loadings exceeding the threshold value of 0.5. Furthermore, the Cronbach's alpha coefficients confirm the reliability of the constructs, surpassing the commonly accepted threshold as inspired by the works of Hinton et al (2004) that our items are highly reliable. Looking at the mean and standard deviations, it can be seen that all the variables of the study are homogenous, given that their standard deviations are less than their means. Looking at the mean values, it shows that auditors' competence seems to be a major predictor of financial success in most MFIs.

Analysis of the Relationship Between the Internal Audit and Financial Performance in MFIs: The Pearson Correlation Coefficient (r)

Investigating the impact of internal audit on the financial success of MFIs, correlation and regression analyses were used. The results will be indicated on the table below.

		Financial success	Auditors independence	Auditors competence
Financial success	Pearson Correlation	1	.754**	.716**
	Sig. (2-tailed)		.000	.000
	N	60	60	60
Auditors independence	Pearson Correlation	.754**	1	.261**
	Sig. (2-tailed)	.000		.000
	N	60	60	60
Auditors competence	Pearson Correlation	.716**	.261**	1
	Sig. (2-tailed)	.000	.000	
	N	60	60	60
** This relationship is statistically significant at the 0.01 level				
Source: Conceived by the authors from SPSS				

Table 2: Relationship Between Internal Audit Characteristics and Financial Success Indicators

The results presented above reveal that the variables are all significant at 1%, indicating a strong positive relationship between the variables of the study. Specifically, the correlation analysis shows that audit independence is positively associated with financial success, with a value of 75.4%, which is significant at 1% and indicated by the significance value (0.000). The relationship that exists between auditors' competence and financial success, with a value of 71.6%, is also positive and significant at 1%. Conclusively, the findings reveal a strong positive relationship between financial success and internal audit variables, with all variables significant at the 1% level (P=0.000).

Empirical Findings: OLS Regression Analysis of the Impact of Internal Audit on the Financial Performance of MFIs

From Ordinary Least Squares Regression, we shall present the effect of the different internal audit variables on the financial success of MFIs. Specifically, the results presented in the table below illustrate the relationship between auditors' competence, auditors' independence and financial success, with coefficients indicating the magnitude and direction of the effect of each internal audit variable on financial success. The regression result will be presented in a manner to permit us to verify our hypotheses.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.797a	.635	.622	.80893
a. Predictors: (Constant), Auditors' competence, Auditors independence				
Source: Conceived by the authors				

Table 3: Model Summary Between Variables

The table above gives a summary of the model in terms of the relationship between internal audit variables and financial success. The results indicates a positive and significant correlation value R. The R-squared value of 0.635 suggests that approximately 63.5% of the variation in financial success is explained by the independent variables, indicating a good model fit. Based on the value of R-squared (63.5%), we can see that the model has been well explained. In a more detailed manner, it can be said that all the variables of auditing (independent variables) explain the financial success of MFIs (dependent variable) by 63.5%. The value for the adjusted R-squared shows the degree to which the value obtained by R-squared is correct. As seen on the table, the value for the adjusted R-squared is 62.2%. Summarily, we can say that we are 79.7% sure of the quality of adjustment. Otherwise said, the independent variables explain 63.5% of the variation in the dependent variables by 63.5%. We now proceed to the table of analysis of variance.

Analysis of Variance

ANOVA is employed to compare differences in the means of more than two groups. It does this by examining the variation in the data within and between groups. The results of the ANOVA test are presented on the table below providing insights into the significance of group differences.

Model	Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	91.119	2	45.559	49.575	.000b
	Residual	52.377	57	.919		
	Total	143.496	59			
a. Dependent Variable: Financial Success						
b. Predictors: Constant, Auditor's Competence, Internal Aditing						
Source: Conceived by the authors using SPSS						

Table 4: Analysis of Variance (ANOVA)

The results presented on the table examine differences in means among groups. It also gives the results of Fisher's test, which happens to be a global test of all the variables of the study. A look at the table shows that our variables are all significant at 1% level. This is seen by the Sig. value of 0.000. This goes to show that we are 99% confident that the results obtained from the study from a global perspective are correct. As such, it can be concluded that with such results, a good policy implication or recommendation can be made to enhance financial success within MFIs. Next, we examine the individual significance of the variables using t-statistics presented in the coefficients table.

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.319	.203		8.707	.000
	Auditors independence	.370	.049	.247	5.834	.000
	Auditors competence	.420	.055	.320	6.218	.000
a. Dependent Variable: Financial Success						
Source: Conceived by authors						

Table 5: Regression Coefficients of the Study

The regression results, indicates that auditors' independence and auditors' competence have a positive and significant impact in the financial success of MFIs. Equally, based on the t-test results, which shows individual significance of the variables, it can be noticed that all the variables are significant at 1% level. Hence, confirming all the predictors of financial success employed in the study were appropriate. In a precise manner, we realize that a unit increase in auditor independence leads to a 0.370 (37.0%) variation in the financial success of MFIs, while a unit increase in auditors' competence will lead to a positive and significant variation in financial success by 0.420 (42.0%). These findings suggest that effective auditing techniques significantly impact financial performance. Based on the different values obtained by Beta, the regression equation can hence be specified as follows:

$$Y = 1.319 + 0.370X_1 + 0.420X_2 + \epsilon_i$$

Where:

- Y stands for Financial success
- X_1 Stands for Auditors' independence
- X_2 stands for Auditors' competence
- ϵ_i stands for the perturbation term

The findings depict that auditors' competence and independence globally predict the financial success of MFIs by R = 63.5% adjusted to 62.2%. Auditor competence ($\beta = 0.420$) and auditor independence ($\beta = 0.370$) significantly influenced financial success at a 1% confidence interval, supporting prior research as evidenced with Turksen et al.,(2021), who found that internal auditing practices improve financial performance.

Conclusion

From findings based on the results presented, we can observed that the internal audit variables (independence and competence) and financial performance in MFIs are related, as shown by the respondents. However, the general findings of our study shows that a unit increase in each internal audit variables through effective implementation will lead to an increase in the financial performance of MFIs. This is significant at 1% level. These results suggest that effective practice of internal audit has a positive effect on the financial performance of MFIs in Cameroon, confirming the study's hypothesis.

About findings, the study recommends that MFIs in Cameroon prioritize acquiring internal auditors with sufficient independence and competence they need in forming their opinion on the financial statements. MFIs' internal auditors should be certified by international organisations like the IIA so that their judgements and recommendations should be credible and accurate, as stipulated by the quasi-certification required on the judgements they make. Internal auditors can enhance good skills, building credibility, and responding to organizational needs. To achieve this, microfinance institutions should regularly organized training workshops and seminars, led by internal or external experts, to upskill their internal auditors.

- **Author Contributions:** Tataw Elvis M. provided the ideas, constructed the database, and wrote and reviewed the entire document. At the same time, Jervis Sambilla Jomi conducted econometric estimations and contributed to writing and reviewing the manuscript. And Ngoata Diangha S. Did the general control of the work.
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