

# **THE RELATIONSHIP BETWEEN INTERNAL AUDITING AND FINANCIAL PERFORMANCE IN CEMENT MANUFACTURING COMPANIES BASED IN KARACHI**

**By**

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A thesis presented to the Department of Management Sciences, Bahria University  
Karachi Campus, in partial fulfillment of the requirements  
of the MBA degree



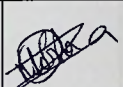
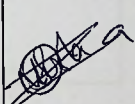
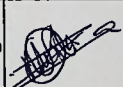
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### 2<sup>nd</sup> Half-semester Progress Report & Thesis Approval

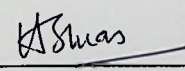
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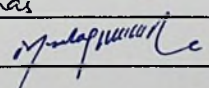
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## Abstract

Internal auditing is crucial to sound financial performance. This is the notion supported by various prior researches. This research focused on identifying the impact of internal auditing on financial performance of cement manufacturing companies that are based in Karachi. For the purposes of identifying whether any relationship exists between the two the researcher broke down internal audit into four determinants. These included internal controls, professional competence of the internal auditor, independence of the internal auditor and the internal auditing standards. The measure used to gauge financial performance was Return on Assets (ROA). Average ROA for 6 years was calculated for each of the four Karachi based cement manufacturing companies using data published on their websites. Primary data was obtained using a questionnaire adapted from a similar study conducted by (Ondieki, 2014). Data was run on SPSS version 20.0. Descriptive and inferential statistics were used.

Based on the results of the data the findings include that there exists a significant and positive relationship between professional competence and financial performance of cement manufacturing companies based in Karachi. The relationship between financial performance and internal controls was also positive and significant. However, there was a strong negative relationship between financial performance and independence of internal audit. There was a negative yet moderate relationship between internal auditing standards and financial performance.

This research recommends that cement companies must invest in internal controls and hiring highly competent internal auditors as they both allow the companies to enhance their financial performance.

**Keywords:** Financial Performance, Professional competence, Internal Controls, Internal Auditing Standards and Independence of Internal Auditor.