

THE IMPACT OF INTERNAL AUDITING ON CORRUPTION: EVIDENCE FROM THE EMERGING MARKET

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Abstract

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The main aim of this research is to test the impact of internal auditing on corruption. In recent years, most firms around the world have witnessed a series of financial crises and scandals, this is mainly because of the absence of occurrence and the separation of fraud and corruption in financial reporting. The manipulation of the financial data is caused by the weakness and the disability in the internal auditing system, which negatively affects the level of transparency and disclosure in financial reporting. This issue has increased and exacerbated the level of corruption in the governmental public sector (Hayek et al., 2022). This research contributes to the accounting and auditing literature by improving the corporate governance code and accounting quality. Also, this research contributes to the theory by testing the stewardship theory by providing empirical evidence of how the steward (the internal auditing system reduces corruption). The study used 164 questionnaire forms that were distributed to the internal auditors within 12 Iraqi governorates out of 15 governorates except for the Kurdistan region, which included four domains of 71 questions. The main finding of this research is that internal auditing plays a major role to reduce the level of corruption and helps firms in the public sector to produce high-quality financial reporting.

Keywords: Internal Auditors, Corruption, Public Sector, Stewardship Theory

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1. INTRODUCTION

The Republic of Iraq is one Middle Eastern nation that has made an effort to fight corruption, defend its integrity, and create open and functional

government institutions. These nations understand how corruption may erode trust in government changes. By reforming their constitutions and laws and ratifying the *United Nations Convention against Corruption*, some nations have made progress in

their fight against corruption (Saeed et al., 2022). Others, however, work to improve integrity and combat corruption in the Middle East and around the globe. This reflects the need for ongoing efforts to establish practical methods to proactively manage corruption risks, increase legal protections to increase integrity controls over government expenditure, and boost accountability actors including internal and external auditing and anti-corruption (Abass et al., 2022).

The research seeks to achieve the following objectives: First, to present the problems and obstacles faced by the internal auditors within the local government departments in Iraq and ways to solve them. Second, to examine the threats facing internal auditors in local government departments and their relationship to anti-corruption efforts. Third, to explain the illegal interventions of members of the provincial councils in the work of internal auditing for investment projects spending and their relationship to anti-corruption efforts, and finally, to explain the procedures of the internal auditors in the disclosure of financial and legal violations in the aspects of spending public expenditures.

The significance of this research stems from the importance of oversight of public spending and its impact on the federal budget, and the role of internal auditing that should play in government units in controlling public spending and curbing illegal practices of local government administrations. The research presents the most important problems faced by internal audit departments to draw the attention of decision-makers to seek to improve their performance and support them to carry out their tasks efficiently and effectively to protect public funds from corruption which leads to making better decisions (Al-Refiay et al., 2022).

Internal auditing, whether in the public, governmental or private sector, is the main pillar to protect the assets of the facility from theft, misuse, and waste of its resources and to improve its operation, it represents an important and supportive tool for departments in achieving the establishment's objectives. However, internal auditing cannot achieve its goals and the goals of the entity for which it works except by adhering to professional standards and avoiding conflicts of interest. Most of the government ministries and their affiliated units in most of the governorates of Iraq, since 2003 to the present day, suffer from administrative and financial corruption cases, despite the establishment of the Integrity Commission and the offices of the inspectors general No. 55 and 57, respectively, according to the dissolved Coalition Authority order for the year 2004 and the establishment of anti-corruption committees in the provincial councils and the House of Representatives. However, the problem of corruption still exists without the existence of island solutions. Public spending for the years from 2003 to 2020 continued to escalate, especially in the referral of general contracting and strategic projects without the presence of tangible services on the ground. Many researchers in this field believe that the reason for this is due to the lack of a real desire by the political elites to deal with this failure.

Financial and administrative corruption is one of the most dangerous phenomena that affect the economies of countries that seek to serve society, and it can only be eliminated by developing strategies that include preventive and remedial measures that enhance the role of regulatory agencies in detecting financial irregularities, as well as concerted efforts to identify and diagnose the causes of corruption.

The main question of this research is:

RQ: Does internal auditing have a role in government units monitoring and limiting the level of corruption in public funds?

This research will discuss internal auditing practices in the governmental public sector in Iraq and the most important obstacles it faced during this previous period in terms of controlling public funds and curbing illegal abuses by local government administrations in the governorates. The agency theory views that the agent maximize their own interest (Flayyih & Khiari, 2023). This considers the need for a steward who can tackle this issue. As a result, the stewardship theory is also considered as the cover of the relationship between the internal auditor and the corporation.

The remainder of this paper is structured as follows. Section 2 presents the relevant literature review. Section 3 analyses the methodology that has been used to conduct empirical research. Section 4 shows the findings and discussion, and finally, the conclusion is presented in Section 5.

2. LITERATURE REVIEW

The term "public sector" refers to all organisations that are not owned or regulated by the private sector and that were established, controlled, and funded by the central government on behalf of the general public. The organisations that fall under the purview of national and municipal governments are the ones that make up the public sector. Since the pursuit of profit is not the primary objective of the public sector, one of its primary goals is to provide services to the general public at no cost or for a very low cost. Assessing performance in the public sector is difficult due to the absence of profit motivation and the abundance of intangible services whose benefits are difficult to evaluate. Additionally, there is a lack of clear benchmarks for success (Johnson Popoola et al., 2014).

According to The Institute of Internal Auditors (IIA) guide (Dube & Danescu, 2011), the public sector is made up of governments along with other agencies and institutions that are either overseen by the public or funded by the public sector, as well as other organisations that deliver goods, services, or programmes to the general public. Determining precise criteria is necessary in order to make the concept of the public sector, which refers to an area that encompasses more than just the government, more clear. The primary government sits in the middle of the public sector, surrounded by various public agencies and institutions on all sides. The public sector can be conceptualised as an expanded circle of organisations. This ring is encircled by a grey zone that is made up of publicly sponsored contractors and publicly owned firms that are not considered to be part of the public sector (Dube & Danescu, 2011).

According to Wegrich (2021), the public sector of the economy is comprised of all levels of government, as well as firms owned by the government. However, private businesses and non-profit organisations are not included in the public sector. The basic definition of the public sector comprises the exercise of public power as well as the implementation of public policy. This is in addition to the fact that the public sector serves a purpose. The provision of fundamental public services by national as well as subnational government agencies is the central part of the public sector. According to Al-Jubouri (2022), Article 6 of the Hammurabi Sharia demonstrates that control over state property has existed ever since the time of the Babylonians. If a hand stole wealth that belonged to a deity or a palace, both the hand that committed the theft and whoever acquired the stolen items from the hand would be put to death. The assets held by the temples and palaces are regarded as public funds and rightfully belong to the people. Any person who stole something that belonged to God was subject to a severe punishment that was comparable to the death penalty. The previously mentioned Article 6 is the first item of legislation that, according to the opinions of some authorities, applies to public monies.

According to Badara (2012), an organization's internal audit is an objective evaluation function that serves as a service to all management levels and reviews operations within the organisation. In order to provide a meaningful contribution to the effective utilisation of the organization's resources, the internal audit unit is tasked with performing audits and checks on the various methods of asset protection and verification. The cash flow, procurement, and the responsibility of authorities responsible for the execution of the budget in regard to both current and capital spending are the primary focuses of financial control. As a consequence of this, an internal audit supplies the authorities with analyses, evaluations, recommendations, and information concerning the operations that are being inspected. The viability of each business is contingent on its ability to make effective use of both financial and non-financial resources, and the internal audit unit, whether it operates in the public or private sector, is given the authority to evaluate independently whether or not the facility complies with the laws and regulations that are applicable to it.

The Institute of Internal Auditors is the group in question. Internal auditing is an organisation that confirms the degree of control through operations and submits proposals to improve operations and contribute to adding value to the enterprise, as denoted by the IIA definition of internal auditing as an independent and objective activity (Petraşcu, 2010). It is an extra guarantee of adequate financial control in the public sector, and it is anticipated that every ministry, quasi-governmental body, and local government will establish an internal audit department (Flayyih et al., 2022). And it shall be the internal auditor's responsibility to conduct audits of all financial transactions, which entails an ongoing review of all accounting books and records associated with the organisation, with the goal of detecting fraud and ensuring that all errors have been accounted for (Badara, 2012).

According to the IIA, the objective of internal auditing is to provide a structured and disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance operations. Internal auditing is also intended to act as a consultative, objective, and independent activity that adds value to and improves the organization's operations and assists the organisation in achieving its objectives. Internal audits give management and the audit committee the confidence that the business is correctly assessing and mitigating the risks that it faces. It performs the function of an internal consultant on a wide variety of issues (Elbardan et al., 2017). Internal audit is a beneficial service that may be provided to any organisation when it adds to the efficacy and effectiveness of governance, risk management, and control systems, and when it delivers an objective and adequate assurance to the organisation. Reviews and suggestions given by internal auditors for improving processes are what produce value (Al-Jubouri, 2022). Therefore, an internal audit provides the authorities with analysis, evaluations, recommendations, and information regarding all the activities reviewed (Kostyuk, 2003; Rodakos et al., 2021; Shahini-Gollopeni et al., 2022; Hayek et al., 2022).

It is necessary for transparency regarding linking resources with results related to the programme in government institutions such as the army, police, Ministry of Transport, Health, and Education, and others. Al-Jubouri (2022) found that auditing government financial statements is necessary for holding the government accountable to the public. Al-Jubouri (2022) finds that auditing government financial statements is necessary. It is the responsibility of the internal auditors to ensure compliance with the policies and procedures of the government. When it comes to auditing the government from the outside, the Federal Office of Financial Supervision is in charge of investigating whether or not the laws that were passed by the House of Representatives and the instructions that were given by the federal ministries or local governments are being adhered to in the correct manner. The Federal Office of Financial Supervision also investigates whether or not the federal government departments, regions, and governorates that are not related to a region and their programmes are subject to auditing of their accounts by the internal audit staff.

Internal auditors are expected to possess the knowledge, skills, and other competencies necessary to perform their responsibilities. The more efficient an internal auditor is, the more likely it is that he/she will understand the factors leading to and indicators of management bias in accounting entitlements, as well as how they can be moderated. Additionally, if management has cause to assume that the capable international auditing is scrutinising its accounting choices, this reduces the incentive for management to control earnings in an aggressive manner. According to Statement on Auditing Standards (SAS) No. 65, the external auditor is required to conduct the review while taking into account a number of distinct elements (Prawitt et al., 2009).

According to Al-Twaijry et al. (2003), the scope of government internal audit work is a significant predictor of the efficiency of internal auditing, and audit work must encompass all systems and

operations in all departments and sites throughout the facility. According to the International Federation of Accountants, the scope of an internal audit depends on the entity's size, structure, and management's needs. The following are examples of government internal audit activities (Abuazza et al., 2015; Al-Khoury et al., 2022):

1. Monitor and audit the internal control systems and make suggestions for their enhancement.
2. Examining financial and operational data and the methods used to identify, measure, classify, and report financial and operational data, as well as investigating individual items, including a thorough review of transactions, balances, and procedures.
3. Evaluate the economy and the efficacy and efficiency of the operating activities, including the non-financial activities of the company.
4. Examine conformity with laws, regulations, and other external requirements, as well as departmental policies, directives, and other internal requirements.

Management must have reasonable assurances that the internal control system is capable of preventing or discovering any large inaccurate transactions, according to Badawi et al. (2003), who find that executive management in the public sector is responsible for establishing and maintaining strong internal control in the government system. Or improperly done or incomplete, finding places where asset security, compliance with rules and regulations, risk management, and company policy are lacking. Leng and Zhang (2014) note that the complexity and size of the internal control system are significantly impacted by the breadth of government internal audit activity. Effective internal control systems can aid in ensuring that the organization's aims are met, as recognised by Fadzil et al. (2005). It is clear that such a system is necessary, as evidenced by the 2003 supplementary policy statement on the internal audit function and outsourcing released by the Board of Governors of the US Federal Reserve System. The internal audit should detect material overall control concerns as part of the risk assessment processes and determine the overall impact of such issues on the enterprise risk profile to provide assurance that the facility will comply with regulations, instructions, laws, policies, and plans. The highest-risk facets of the company's operations will receive more thorough auditing.

The scope of an organization's internal audit should reflect the presence of objective overall control concerns in all audited areas. Internal audits should also involve the handoff of substantive macro-control issues to senior management and the provision of objective assurance for a variety of risks that have not been regarded to be big risks and which have been dealt with by auditing units in the public sector. And audit units must apply these principles for assessing risks to establish the audit's scope (Rexhepi et al., 2020):

1. A controlled setting.
2. The facility's administrative and organisational complexities.
3. Familiarity with the facility's governing laws and regulations.
4. The necessity of accounting records.

The American Institute of Certified Public Accountants (AICPA) defined internal control for the first time in 1949 as a plan, techniques, and other coordinated procedures by the institution to

maintain its assets and check the confidentiality and dependability of data, in order to boost its effectiveness and guarantee stable management policies. However, the definition offered for the notion of control has been developed over time, and today a variety of concepts relate to the internal control system as one of the tools of leadership to maintain the integrity and growth of the institution's assets. And in 1992, the COSO model was introduced, addressing risk and internal control ideas. In addition to accounting errors and the application of procedures to prevent them, the idea of internal control encompassed management and other control activities (Lakis & Giriūnas, 2012).

The maturation of internal control systems in the MENA area depends on the accreditation of auditing and auditing practitioners' competencies by professional bodies and other skill-building initiatives. In order to solve the difficulties of high employee turnover and lack of technical skills and expertise in auditing operations in some countries, specific procedures are required. In addition to the requirement for specific recruitment processes and appealing compensation schemes, the public sector must provide employment opportunities and maintain the required professional skills and abilities for observers and auditors. Internal auditors must stay abreast of new changes and adapt worldwide auditing standards and practises to local requirements.

This is especially important in areas where professional judgement is essential, such as performance audits that emphasise economics, efficiency, and effectiveness, government policies and programmes designed to identify deviations from predetermined targets, and the detection of fraud and corruption risks. Internal control and audit are not always independent management tools. And only to the extent that accounting and governance systems function can they be effective. Internal control and audit functions must be formed and connected with broader governance changes, such as strategic planning, accounting, budgeting, a framework for medium-term spending, procurement and reporting, external audits, public debt management, and asset management (Baltaci & Yilmaz, 2006).

In many ways, the public sector exists in economic life. There is no market economy outside of the public sector, as the progression of events in this field (the transition from the communist system to the market economy) has resulted in a shift in the internal control of public institutions. Unlike external auditors from outside the firm, the internal auditor is a member of the management team. Management has developed an independent evaluation department to review the internal control system. To perform effectively, internal audits must be independent in terms of budget, work programme, reporting system, and competent and skilled employees (Kagashe, 2008).

Government public spending is defined as all the money that the state spends from the appropriations approved in its general budget to satisfy the general needs of citizens, which is a cash out of the financial liability of a legal person to satisfy a public need. The elements of public expenditures consist of the following (Al Hosseini et al., 2019):

1. Using a cash amount.
2. The alimony is issued by a public legal person.
3. Realization of public interest or public benefit.

The government apparatus in all state departments undertakes the implementation of the state's general budget, whether the current or investment budget is supported by the general budget instructions issued by the Ministry of Finance after approving the budget. According to Chase (2020), government units in Iraq that depend on their current and investment expenditures on the federal general budget have the right to open current accounts with government banks after the approval of the Ministry of Finance to deposit funding allocated to local governments, sovereign ministries, and their subordinate units. The internal audit is responsible for the pre-disbursement audit to ensure that the expenditures have been spent following the approved allocations and to ensure that regular records are maintained and that the monthly and final audit balances are correct.

Budget openness is a necessary but insufficient condition for ensuring increased government accountability. While the legislative framework defines the general budget and accountability structures, the ability of stakeholders to hold the government accountable for achieving policy priorities may be constrained by the limited participation of the cabinet in reviewing and approving budget standards, and by the legislature's relatively limited focus during budget discussions on the extent to which budget allocations are linked to government policies. Participation includes outlining goals to ensure that the budget not only represents local needs and preferences but also incorporates participation in monitoring and assessment (World Bank, 2016).

Financial and administrative corruption is linked to the development of mechanisms and tools for monitoring and auditing its mission, examination, and auditing. Protecting money from tampering, embezzlement, and theft is not a simple matter but rather requires the gathering of large armies from all state and societal institutions, and appropriate accounting systems that are characterized by accurate accounting control.

Corrupt bypassed (Al Hosseini et al., 2019) internal auditing according to contemporary concepts and trends is an important factor that helps in allocating available resources with the best possible efficiency and an effective tool to reduce the manifestations of corruption and thus achieve economic development. As the financial information and reports that are subject to traditional scrutiny conceal in their folds extravagance and inadequacy that may prevent scarce resources from being allocated rationally and impede the achievement of goals at the level of economic units and the state (Al Hosseini et al., 2019). As a result, Iraq is one of the countries that suffered from administrative and financial corruption in the public sector, especially in local governments in the governorates as a result of its overall budgets from 2003 until now.

Despite the great efforts made by the Federal Office of Financial Supervision through the annual audit of public sector units, the problem still exists. The Iraqi Integrity Commission has indicated that in the task of combating corruption, preserving public

money, and spreading a culture of integrity, Commission has adopted the scientific method in carrying out this mission, as well as applying what is required of legal frameworks to combat corruption and preserve public money. From this standpoint, it made a questionnaire and distributed it to 7146 citizens who have been reviewed by public sector departments to neutralize their awareness of the seriousness of bribery paid to public sector employees.

3. METHODOLOGY

This section discusses the ontology of the study, as well as the epistemology of the study, as well as the methodology that was used in the research. In addition, this section presents the research design for the technique and research approach that will be used in the study. Research can be carried out utilising any one of a variety of conceptual frameworks and methodological approaches. Because scholars have many perspectives around the world, there is no single paradigm that is inherently superior or worse (Saunders et al., 2011). They refer to it as the "research onion", and Saunders et al. (2011) have presented a helpful model for understanding research design and technique in the business environment. Before you can access the centre of the onion, which is where your responses to the study's questions are hidden, there are seven layers of the onion that need to be peeled back. In addition, in order to keep the research going, these different levels need to be linked with one another.

The researchers have decided to use a deductive strategy and this research adopts a quantitative technique to gather the data in order to put the study hypotheses to the test. One of the declared goals of the study is to illustrate the challenges and obstacles internal auditors in Iraqi local government agencies encounter and strategies to solve them. Second, examine threats facing local government internal auditors and their relevance to anti-corruption initiatives. Third, explain the illegal actions of provincial council members in internal auditing for investment projects spending and their relationship to anti-corruption measures. Finally, explain the procedures of internal auditors in disclosing financial and legal violations in public spending.

The information needed for the study was gathered from the government institutions of the local governments in the governorates of Karbala, Najaf, and Babil. A total of 120 questionnaires were given out to employees of the internal auditing department, and a total of 40 questionnaires were given out to departments of local governments in each of the governorates. Of these questionnaires, 103 were recovered in a form that was suitable for analysis. The people who work in the audit departments make up the population of this study. Regarding the method of sampling, we utilised straightforward random sampling.

In order to evaluate these hypotheses, a t-test with a single sample will be utilised. The objective of this test is to calculate the size of a significant deviation from a given value that exists between the mean of the sample population and the value in question. In addition to the possibility of estimating the confidence interval for the community average,

a test value of 3.75 will be utilised (representing 75% of the highest score on a Likert scale of 5 points) in order to carry out a t-test analysis. This value will be used in conjunction with the possibility of estimating the confidence interval.

4. FINDINGS AND DISCUSSION

One hundred sixty-four (164) questionnaires were distributed to a sample of the internal auditors in the local governments of 11 Iraqi governorates out of a total of 15 Iraqi governorates, excluding

the Kurdistan region, namely Baghdad, Basra, Babylon, Karbala, Najaf, Maysan, Dhi Qar, Wasit, Qadisiyah, Diyala, and Muthanna. The questionnaire has 73 questions organised into 4 categories. The Likert scale was expressed using five-dimensional sentences. With measurements ranging from 1 for content that is not entirely agreed upon to 5 for stuff that is fully agreed upon. Cronbach's alpha coefficients and the split-half reliability method were used to confirm the consistency of the scale. With the help of the SPSS Statistics software, the following results were obtained:

Table 1. The stability test

<i>The domains</i>	<i>Cronbach's alpha coefficient</i>	<i>Guttman split-half or Spearman-Brown coefficient</i>
Internal control over public investment spending	5.97%	6.93%
Procedures for controlling public spending for the current budget	9.91%	85%
Pressures from members of governorate councils, senior management, and executives on internal auditors to pass legal and financial deals	5.92%	6.90%
Adequacy of internal auditors' procedures and anti-corruption efforts	7.80%	4.72%

This table shows the high consistency coefficients for all the survey domains, and the stability coefficient for all two domains is more than 70%. After ensuring the stability of the questionnaire, it was distributed to a large sample of individuals, and 164 responses were obtained, and the following table shows the results of the analysis of the opinions of the individuals.

The questionnaire sample: The above table shows the best variable within the first axis is *X1* (it is related to the existence of adequate control and transparency in announcing government tenders according to the instructions in force) because it has the highest value of relative importance which is 0.663 with a standard deviation of 1.0873, and a main score of 3.317. This indicates the lack of adequate oversight and transparency over government tenders. As for the lowest value of relative importance, it is 0.422 for the variable *X9* (related to no delayed projects existing because of cases of administrative and financial corruption) and with a standard deviation of 1.2571 and a main score of 2.11, indicating that the sample members agree on the existence of government projects that are lagging due to cases of administrative and financial corruption.

The best variable within the second axis is *X38* (it is related to the procurement, maintenance, and fuel committees formed from three or more employees according to the instructions for implementing the federal budget) because it has the highest value of relative importance of 0.82, a standard deviation of 0.6208, and the main score of 4.098, which indicates a lack of agreement. The sample members have a commitment to the number of individuals in the procurement committees according to budget implementation instructions. As for the lowest value of relative importance, it is 0.612 for the variable *X45* (related to adequate control on fuel tanks) with a standard deviation of 1.1477 and a main score of 3.061, indicating that the sample members do not agree on the existence of adequate control over the fuel tanks, which exposes them to theft and fraud.

Regarding the third axis, the best variable within the axis was *X54* (related to pressure from members of the Governorate Council on the internal

audit team to pass the contractor's predecessor despite the presence of legal violations) because it has the highest value of relative importance which is 0.798, with a standard deviation of 0.9362, and a main score of 3.988, which indicates that the sample members agreed that there were pressures from the members of the Governorate Council on the audit team to pass the contractor's advances despite the presence of legal violations. As for the minimum value of materiality, it is 0.768 for the variable *X56* (related to governorate councils intervening to transfer the members of the audit team when objecting to legal and financial violations) and with a standard deviation of 1.0712 and a main score of 3.841, indicating that the sample members agree on the question.

The best variable within the fourth axis was *X66* (related to the internal audit team checking the accounting records to ensure that the accounting entries were correctly recorded in terms of evidence and the amount due) because it has the highest value of materiality, which is 0.834 with a standard deviation of 0.6814, and a main score of 4.171, which indicates that the sample members agreed that the internal audit should undertake these procedures.

As for the lowest value of materiality, it is 0.673 for the variable *X71* (related to continuous cooperation between internal auditing and integrity to reduce waste in public expenditures and combating administrative and financial corruption) with a standard deviation of 1.0945 and the main score of 3.366, indicating that the sample members agree on the existence of collaboration with oversight agencies to support anti-corruption efforts.

To test the first and second hypotheses, a one-sample t-test will be employed. The purpose of this test is to determine the magnitude of a significant discrepancy between the sample population's mean and constant values. In addition to the possibility of estimating the confidence interval for the community average, a test value of 3.75 (representing 75% of the highest score on a 5-point Likert scale) will be utilised to conduct a t-test. The following were the results of the SPSS Statistics programme:

Table 2a. T-test for the first and second hypotheses

<i>One-sample statistics</i>						
<i>Details</i>	<i>N</i>	<i>Mean</i>	<i>Std. deviation</i>	<i>Std. error mean</i>		
The first hypothesis	164	2.96917	0.767460	0.059929		
The second hypothesis	164	3.43641	0.733570	0.057282		
<i>Test value = 3.75</i>				<i>95% confidence interval of the difference</i>		
<i>Details</i>	<i>T</i>	<i>Df</i>	<i>Sig. (2-tailed)</i>	<i>Mean difference</i>	<i>Lower</i>	<i>Upper</i>
The first hypothesis	-13.029	163	0.000	-0.780827	-0.89916	-0.66249
The second hypothesis	-5.474	163	0.000	-0.313589	-0.42670	-0.20048

According to the table above, the computed t-value for the first and second hypotheses was 13.029 and 5.474, respectively, which is more than its tabular value at a degree of freedom of 163 (n-1) of 1.659. The table also demonstrates the level of significance of the test, Sig. (2-tailed), for both hypotheses was extremely high and equaled 0.000, which is less than the allowable level of error in

the social sciences, which is decided to be 0.05. Therefore, both hypotheses are accepted.

To test the third and fourth hypotheses, a one-sample t-test will be utilised, and the default arithmetic mean of the five-point Likert scale will be used as the test value. With the aid of the SPSS statistical application, the following results will be obtained:

Table 2b. T-test for the third and fourth hypotheses

<i>One-sample statistics</i>						
<i>Details</i>	<i>N</i>	<i>Mean</i>	<i>Std. deviation</i>	<i>Std. error mean</i>		
The third hypothesis	164	3.89431	0.827490	0.064616		
The fourth hypothesis	164	3.80129	0.460340	0.035946		
<i>Test value = 3</i>				<i>95% confidence interval of the difference</i>		
<i>Details</i>	<i>T</i>	<i>Df</i>	<i>Sig. (2-tailed)</i>	<i>Mean difference</i>	<i>Lower</i>	<i>Upper</i>
The third hypothesis	13.840	163	0.000	0.894309	0.76672	1.02190
The fourth hypothesis	22.291	163	0.000	0.801291	0.73031	0.87227

The above table shows that the calculated t-value amounted to 13.840 and 22.291 for the third and fourth hypotheses, respectively, and it is greater than its tabular value at a degree of freedom of 163 (n-1) which is 1.659. The table also shows the level of significance of the test, Sig. (2-tailed), for both hypotheses was very high and amounted to 0.000 which is less than the acceptable level of error in social sciences, which is predetermined by 0.05, so both hypotheses are accepted.

5. CONCLUSION

The lack of oversight and transparency in the advertisement of government tenders in accordance with the instructions in force undermines anti-corruption efforts. There is insufficient control over the committees for opening bids and referring to investment projects due to the pressures faced by the internal auditors from higher management. The higher administrations in local governments do not seek to choose the members of the bid opening and referral committees who have integrity and competence in order to pass illegal deals.

The adequacy of monitoring the direct implementation instructions is due to the strength of the legal texts mentioned in the instructions to govern the control process. There is an exaggeration in prices for the purchase of materials through direct execution due to the lack of adequate mechanisms to prevent fraud in this regard. The existence of many projects that are lagging as a result of the intervention of members of the provincial councils in the work of the internal auditors to pass illegal deals. There are pressures on the internal auditors of some members of the department boards to move him/her outside the governorate or other sections because they object to the waste of public expenditures.

The internal audit was able to prevent courtesy and favoritism from granting additional periods to general contracting companies. There are many cases of override of approved assignments and the internal audit was unable to reduce it due to management pressure. Internal auditors in local governments have achieved efficiencies to control cash expenditures and prevent fraudsters from overriding controls. Internal auditors are exposed to pressure from some members of the provincial councils and senior management when they object to the referral of investment projects due to their fear of controls. Internal auditors face challenges and pressure from senior management to pass legal and financial violations.

This paper is the subject of some limitations such as time. As the study's overarching goal is to help local government agencies in Iraq improve their internal auditing practises by illuminating the challenges they encounter and proposing solutions. How internal auditing affects efforts to root out corruption. As well as, to explain the procedures of the internal auditors in the disclosure of financial and legal violations in the aspects of spending public expenditures; and finally, to explain the illegal interventions of members of the provincial councils in the work of internal auditing for investment projects spending and their relationship to anti-corruption efforts. Other factors are also important to achieve these goals and reduce the level of corruption. In the course of this research, one or more of these other regulations and enforcements were not investigated. This study did not use a qualitative method, such as an interview, to collect the data.

This study focuses on international auditing as a means of reducing corruption, but future studies may find it useful to look at other elements as well, such as accounting quality, which may include

capital structure, earnings smoothing and management, and timely loss recognition. The public sector is the focus of this study regarding the e-margin industry. While it does not explore

developed nations, other scholars can evaluate the validity of this association in economies that are already developed.

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