

EXTERNAL AND INTERNAL AUDITORS' PERCEPTIONS ON COMPLIANCE WITH INTERNAL AUDIT STANDARDS AND PRACTICES: SPIRIT VERSUS LETTERS?

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Abstract

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This paper investigates differences between the external auditors' (EA) and the internal auditors' (IA) perceptions of the degree of usage and compliance with the Institute of Internal Auditors (IIA) International Standards for the Professional Practices of Internal Auditing (Standards) by internal audit departments. The research uses survey-based questionnaires sent to IAs and EAs of the listed firms registered in an emerging market and included interviews with individuals involved in the internal auditing function (IAF) and EAs. The survey analyzes issues relating to IAF compliance with IIA standards summarized in the Common Body of Knowledge Database (CBOK). Social identity and stakeholders' theories are used to explain the development of the research hypotheses in relation to IAF. The research indicates that the rates of conformance for the selected individual standards vary significantly among respondents. The findings provide evidence that there are low levels of interactions between IAs and EAs in emerging markets. This study is considered among the first that surveys the status of the use of the professional IIA standards in listed firms in an emerging economy. It also investigates the importance of ensuring that the "spirit" of the IIA standards is adhered to rather than the mere compliance with their "letters". The paper emphasizes the gap still existing in practice between IAs and EAs in relation to their interactions, communication, and cooperation to enhance the quality of the IAF activities and related financial reporting. The research study relied on a sample of companies to investigate the level of compliance with IIAs standards and selected a limited number of the IIA standards for usage and compliance assessments.

Keywords: IIA Standards, Corporate Governance, External Audit, Internal Audit, Audit Practice, Egypt

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1. INTRODUCTION

The internal audit profession is regarded by management as an important governance mechanism affecting the quality of financial reporting as well as

the firm's performance. The internal audit function (IAF) is also conducted in a highly varied legal and cultural environment within the organization that also vary in structure, size, purpose, and complexity (Burnaby, Hass, & Abdolmohammadi, 2006; Sarens &

De Beelde, 2006; Moeller, 2009; Burton, Emett, Simon, & Wood, 2012; Sarens & Abdolmohammadi, 2011; Johl, Johl, Subramaniam, & Cooper, 2013; Bailey, 2016; Abbott, Daugherty, Parker, & Peters, 2016; Eulerich & Westhausen, 2017; Carcello, Eulerich, Masli, & Wood, 2018; Eulerich & Lenz, 2019; Cular, Slapnicar, & Vuko, 2020; Reville, Hoitash, & Hoitash, 2021). The Institute of Internal Auditors (IIA, 2010) stated that an effective IAF is one of four cornerstones of corporate governance (IIA, 2010, 2015). Section 404 of the Sarbanes-Oxley Act 2002 (PCAOB, 2007) expanded IAF's activities to include governance responsibilities. The New York Stock Exchange requires all listed firms to maintain an IAF (NYSE, 2009). The external auditing standards recognized the importance of a high-quality internal audit in reducing the overall control and detection risks contingent on the independence and competence of the internal auditors (IAs) (Bame-Aldred, Brandon, Messier, Rittenberg, & Stefaniak, 2013; IAASB, 2016; Vuko, Cular, & Slapnicar, 2018). The PCAOB Auditing Standard No. 5 (PCAOB, 2007) allowed external auditors (EAs) to extend their reliance on the work of the internal auditor (IA) when the IAF meets certain criteria. The PCAOB also recommended that large and complex firms which do not have an effective IAF should be regarded as having a significant deficiency in their internal controls and corporate governance mechanisms. Bame-Aldred et al. (2013) found that the environment in which EAs must make a reliance decision on IAF is complex involving several factors (such as regulations, corporate governance, IAs competence, and objectivity) that must be considered simultaneously. Also, according to Vuko et al. (2018), EAs are more likely to rely on the IAF if the audit committee (AC) is effective and plays a reactive monitoring role in the organization. Moreover, Carcello et al. (2018) found that IAs add value to an organization by reducing perceived risks and improving the performance of the audited units compared to non-audited units.

Despite the practical benefits of an IAF, Bame-Aldred et al. (2013) indicated the paucity of research concerning the relationship between IAF and EAF in terms of audit quality due to lack of publicly available internal audit data. Also, Eulerich (2018) indicated that "the research about internal auditing is still in its infancy" particularly the empirical research where the incremental decisions within an IAF should be backed up by hard facts. In addition, there is a lack of academic research and empirical work on internal auditing in Egypt as an emerging and transnational economy. This leads to a gap that creates the reason for this research. The International Professional Practices Framework (IPPF) is the mandatory component for all IIA members (IIA, 2015). These standards are associated with the internal audit's well-structured functioning and it is crucial for the IAF to have an effective role in corporate governance. As a response to the growing attention towards the importance of compliance with IIA standards as a factor of the internal audit quality, the Common Body of Knowledge (CBOK) global study (IIA, 2006, 2010, 2015) analyzed the chief audit executives' (CAE's) perspectives about their compliance with the IIA standards in different countries including IAF staffing, skills, competencies and the influences of cultural and legal factors on the development and

practice of the internal auditing around the world. Questions about partial or full compliance with the wording or the "letter" of the standards were studied without examining the implications of applying these standards on the actual internal audit activity "spirit". For instance, questions addressing the attribute Standard 1100 which relates to the organizational independence of the IA did not explicitly provide a reference to the CAE direct reporting channels to the AC and the board or the policies for dismissing or appointing IAs. Also, a wider literature on internal auditing focused on cases from developed nations and based on surveying the internal audit members only, little is empirically known about this function in emerging markets or the view of the EAs about such activity.

The current study investigates two notions of compliance with the IIA standards, the "letter" and the "spirit". To examine the compliance with the letter, we analyzed the extent of the compliance with the explicit IIA Attribute and Performance Standards. For compliance with the spirit of the standards, we developed questions to analyze the compliance with the interpretations attached to these standards looking at facts concerning the pattern of the compliance to the IIA standards in a group of Egyptian listed firms. Surveying the EAs' opinions for the same companies increase the level of credibility of the responses of the IAs concerning the compliance with the spirit of these standards. This study is among the first to survey the external and internal auditors' perceptions concerning IAs' compliance with IIA standards. It also highlights through its detailed survey the importance of assuring that the "spirit" of such standards is adhered to rather than the mere compliance with their "letter". Extending prior literature findings in the developed markets for the IAs' compliance with the IAs standards in an emerging market helps to assess the robustness of these findings adding to the base of knowledge in this field. Also, the deficiencies in the practices of the IAF in listed companies in an emerging market should attract the attention of the regulators to add requirements for the application of IAs standards in the existing codes of corporate governance. Moreover, regulators in developing the status of the IAF in such emerging markets should establish a governing body that monitors and oversee the internal audit profession to enhance its effectiveness (adding value to businesses) as well as the corporate governance practices. Given the above discussion, the research questions are promulgated as follows:

RQ1: What is the extent of compliance, or violations to the IIA standards in letters?

RQ2: What is the extent of the compliance with the interpretation "spirit" of the standards?

RQ3: What are the reasons behind the non-compliance with the IIA standards?

RQ4: Is the compliance to the IIA standards influenced by the personal attributes of the respondents, such as tenure, work experience, and education?

The remainder of this paper is structured as follows. Section 2 includes the literature review and hypotheses development. Data collection, survey design, descriptive and statistical methods of analysis are presented in Section 3. Section 4 includes findings and a discussion of results. Conclusion, limitations, and recommendations for future research are in the last section.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Prior literature found that the IAF quality constrains earnings management (Gramling, Maletta, Schneider, & Church, 2004; Davidson, Goodwin-Stewart, & Kent, 2005; Prawitt, Smith, & Wood, 2009; Prawitt, Sharp, & Wood, 2011). Davidson et al. (2005) found a negative association between the presence of the IAF and the quality of financial reporting due to differences in the entity's investments in the IAF. Prawitt et al. (2009) measured the IAF quality in the USA by reference to specific dimensions included in SAS 65 like competence and objectivity of the IAs. They did not take into consideration important aspects of internal audit quality such as independence and quality assurance of the fieldwork. They also did not consider how their study's results may differ if applicable in developing countries where culture, legal, corporate governance quality, and other attributes are different from developed economies. Lin, Pizzini, Vargus, and Bardhan's study (2011) extended the measures of internal audit quality used in Prawitt et al. (2009) and included other dimensions of the IAF quality drawn from the IIA professional guidance. It concluded that there is a significant positive association between the nature and scope of the IAF activities with material weaknesses disclosure compared with other IAF attributes of competence, objectivity, and the entity's investment in IAF.

At the same time, O'Donnell and Prather-Kinsey (2010) suggested that professional standards, such as IIA standards, could be interpreted differently by auditors in different countries, leading to cross-national inconsistencies. They related the inconsistent interpretations of professionals to environmental factors (e.g., political or economic) and/or cultural dimensions (e.g., achievement orientation or assertiveness). Birnberg, Hoffman, and Yuen (2008) also found differences between participants from China and the USA, arguing that the differences are due to the collectivist culture in China versus the individualistic culture in the USA. Moreover, other researchers discussed the level of compliance with the IIAs in Australia, New Zealand, the UK and Ireland, the USA, South Africa, and Egypt using the CBOK's database (Cooper, Leung, & Wong, 2006; Goodwin-Stewart & Kent, 2006; Burnaby et al., 2006; Burnaby, Abdolmohammadi, Hass, Sarens, & Allegrini, 2009; Abdolmohammadi, 2009; Abdolmohammadi & Sarens, 2011; Marais, Burnaby, Hass, Sadler, & Fourie, 2009; Ebaid, 2011; Eulerich, Theis, Velte, & Stiglbauer, 2017; Behrend & Eulerich, 2018). These studies showed mixed results for the level of compliance with IIA standards. For example, Burnaby and Hass (2009) found only 40% of respondents indicated they did not comply 100% with all the IIA standards due to inadequate IAF staff, no added value to management, and too time-consuming to comply with the standards. Burnaby et al. (2009) found similar results when comparing their survey responses with CBOK database results in Belgium, Italy, the Netherlands, the UK, and Ireland. Standard 1300 "Quality assurance and improvement program" and Standard 2600 "Resolution of management's acceptance of risks" had exceptionally low

compliance by IAs. In addition, the study revealed that the use of the standards is not correlated with the age or/and tenure of the internal audit activities and that the size of the audit staff does affect the usage of the standards.

Abdolmohammadi (2009) assessing the level and factors of compliance with the IIA standards in Australia, New Zealand, the UK and Ireland, and the USA indicated that 13.5% of the IIA-members do not use the standards and those who use the standards a significant number of them fail to comply with Attribute Standard 1300. Factors behind non-compliance where the standards are too costly, and the existence of inadequate internal audit staff. In addition, Marais et al. (2009) revealed that most of the internal audit activities in South Africa showed high degrees of compliance with the IIA standards except for the Attribute Standard 1300 which was the lowest. The increase in IIA membership in South Africa reflected a growing and adapting IAF to the changing political and economic environment in this emerging market. Similarly, Bailey (2011) using the 2010 CBOK study reported a low level of compliance with IIA standards due to failure to follow Standards 1300 and 2600. This is due to the small size of IAF, cost of complying with IIA standards, and lack of management/board support. Similar results were found in Johl et al.'s (2013) and Abbott et al.'s (2016) studies. Moreover, Ebaid (2011) using a survey-based study revealed that a significant number of the listed firms in Egypt have IAF and adequate internal audit staff. In addition, there is no specialized professional body to monitor the IAF in the public and private sectors or separate code of conduct governing the IAF and no sanctions for non-compliance with IIA standards. The rules that were promulgated by the Ministry of Investment in 2005 and updated in 2016 in relation to corporate governance, recognized the importance of the IAF and required the listed firms to maintain an independent IAF that reports directly to the chairman of the board and the AC. But these rules did not require the internal audit department to comply with the IIA standards. Moreover, IAF had low levels of organizational independence, management support, and qualified internal audit staff. These attributes of the institutional background of the IAF in Egypt increased the importance of the status of the IAF in relation to compliance with the IIA standards in such an emerging economy.

More recently, the CBOK 2015 global study found that CAEs full conformance to the IIA standards increased from 5% to 8% compared with CBOK 2010 global study. According to the CBOK 2015 reports, the conformance with Attribute Standards (i.e., Standard 1300 "Quality assurance and improvement") is more common than the Performance Standards. The findings of this global study emphasized the influence of the geographic regions and how the profession is perceived in different parts of the world. The level of use of all the standards was higher in the regions of North America 73%, Europe 67%, and Sub-Saharan Africa 64%, and the highly regulated publicly traded sectors than the non-public ones. Moreover, Eulerich and Westhausen (2017) examined whether soft cultural factors influence the structure and work

of the IAF in Germany compared with China. Based on the 2015 CBOK, they found that IAs in Germany have more audit experience, serve the management rather than the state, and provide better quality performance compared with IAs in China. According to the review of all the above studies, the researchers believe that most of the prior research studies focused on the level of compliance with the IIA standards using data from the CBOK global database without in-depth investigation of the compliance with the “spirit” of the IIA standards. The current research went further in the analysis to grasp EAs’ independent opinion about the reasons for non-compliance with IIA standards capturing the behavior observations in this respect and the impact of compliance on the quality of IAF and its effectiveness in fulfilling corporate governance. So, based on the main objective of the research, the following research hypothesis is formulated:

H (main hypothesis): There are no significant differences between the perceptions of the internal and the external auditors concerning the compliance of the internal audit departments with the IIA International Standards for Professional Practices of Internal Auditing.

Independence and objectivity

Most of the literature on the IAF involved research that examined the three factors listed in SAS No. 65 (AU 322) that EAs should consider before relying on the IAF: competence, objectivity, and work performance (Desai, Roberts, & Srivastava, 2010; Bame-Aldred et al., 2013). The interpretations to the 1100 independence and objectivity standard addressed that organizational independence is effectively achieved when the CAE reports functionally to the board and have unrestricted access to senior managers. Examples of functional reporting to the board involve the board approving the internal audit charter; the risk-based internal audit plan; the internal audit budget and resource plan and the appointment, removal, and remuneration of the CAE. Moreover, the internal audit plan should be approved by the AC and reviewed by the EA. Moreover, the IIA (2016) confirmed that threats to independence must be managed at all organizational levels. In practice, EAs view internal audit independence as related to its organizational status and reporting lines including the appointment of an IA by the board or the AC (PWC, 2010). Given the above discussion, the researchers developed in-depth questions to explore the pattern of compliance “spirit” with all the interpretations provided to the organizational independence requirements.

With regards to the issue of objectivity, social identity theory explains the various aspects of the objectivity of the IAF (Gramling et al., 2004). It assumes that the employer identification impacts IA’s objectivity and consequently affects the reliance on the IAs’ work as their objectivity could be impaired. Social identity theory assumes that one’s self-concept is comprised of an identity, which involves knowledge, abilities, and interests, and a social identity of the group to which the individual belongs. This may suggest that the types of involvement that occur between IAs and other members of the firm enhance more group

identification (Bame-Aldred et al., 2013; DeFond & Zhang, 2014). IAs are predicted to exhibit higher levels of identification with employers compared to EAs’ relationship with their clients. Additionally, Vuko et al. (2018) found EAs’ scope of reliance on IAF depends on the effectiveness of the AC. Such effectiveness would influence EAs’ beliefs about IAs’ objectivity and independence and their reliance decisions. This is in line with both the social identity theory which explains the effectiveness of the relationship between IAF and AC and also the stakeholders’ theory which identifies the measures that the company employs to address the interests of its diverse groups of users (Smith, 2015). In this respect, Eulerich, Kremin, Saunders, and Wood (2021) examined how stigma toward the profession affects internal audit outcomes. Using three different data sources: survey results from parts of Europe, the USA, and an experiment, they found that when IAs in those regions believe there is a negative stigma about IAF, they report negative work outcomes with less ability to add value. Also, they indicated that such negative stigma would result in less influence in the organization, more resistance to implementing their recommendations, and more pressure to change their audit results. Similarly, Reville et al. (2021) using data collected from LinkedIn of internal audit personnel found that IAF competency is inversely related to the propensity of material weaknesses and misstatements. They also indicated that IAF competency improves in the year following material weakness and restatement disclosures and its increase is greater in firms with longer auditor tenure and higher AC accounting expertise. Regulators should not only focus on improving financial reporting quality by enhancing oversight over external auditors and audit committees but should also focus on IAF.

To examine the compliance with the spirit of the Standard 1100 objectivity, the researchers developed questions investigating the threats to the objectivity; if there were any influences or interference due to the employer identification discussed earlier when performing his audit work. They also investigated the periodic rotation of the IAs on the audit tasks to ensure that they are not engaged in the execution of the day-to-day operations. The current research also investigated the restrictions imposed on the scope of the work of the IAs in addition to the direct access to the AC and the board of directors. Based on the main hypothesis of the research study, the following hypothesis is formulated:

H1: There are no significant differences between the perceptions of the internal and external auditors about the independence and objectivity of the internal audit function.

Managing the internal audit function and exercising due professional care

IAs must have a thorough understanding of the company’s operations and processes. They must also be able to design and implement tests to determine whether such processes detect the deficiencies in the internal control systems. IAs should participate in whistleblower programs and play a crucial role in the risk management processes (IIA, 2016). Ebad’s (2011) study highlighted

the perceptions of the CAEs in the Egyptian listed firms and found that the IAF is still focused on traditional financial audit and internal controls compliance and has not yet moved towards the value-added role (i.e., risk management, consulting, and corporate governance). The study also indicated that there is a weak level of interaction between internal and external auditors. Similarly, Lin et al. (2011) found that the nature and scope of internal audit in the USA are more dominant than other IAF attributes of independence and objectivity in detecting material weaknesses. Lin et al.'s (2011) study did not include all dimensions of the professional guidance such as the role of the internal audit in risk management, audit documentation, and consulting activities. Eulerich et al. (2017) using 3294 responses of the 2010 CBOK study from 26 EU-member of structural equation model composed of "professional ethics", "value-added", "governance" and "three lines of defense" found that IAF has a significant influence on the design of governance structure. They indicated that cooperation between IAF and AC has a significant impact on the organization of the corporate governance structure with no significant influence on the other constructs. This is explained by the social identity theory which confirms that the employees' identification affects IA's objectivity and independence. Such effects would be minimized through the independent and effective role of the AC. Furthermore, Carcello et al. (2018) using a quasi-experimental design, found that IAF reduces perceived risks and improves the performance of the audit tasks. Eulerich and Lenz (2019) also assessed the effects of the integration of IAF into the organizational governance structure and the best practices and organizational differences to improve the overall governance quality. The study identified factors to improve the relationship between the IAF and other assurance providers, such as the board of directors, the supervisory board in the two-tier-system in Germany, the audit committee, risk management, or the external auditor.

According to the interpretations of Standard 2130, IAF must evaluate the adequacy and effectiveness of controls responding to risks within the organization's operations and governance. To fully embrace the spirit and the letter of the standard, it is important to acknowledge the need to consider the most important risks of the organization and related objectives. This is in line with the stakeholders' theory which provides

evidence that both EAs and IAs should perform their tasks to help the organization achieve its strategies and benefit its various stakeholders' groups. Also, stakeholders' theory requires that both EAs and IAs perform effectively and efficiently their monitoring responsibilities for the benefits of the organization and its interested parties. Given the above discussion and interpretations provided by the performance standards, the researchers developed the following hypotheses to investigate the compliance with the spirit of Standard 2010 "Managing the internal audit" as follows:

H2: There are no significant differences between the perceptions of the internal and external auditors that the IAF manages its activities and exercises due to professional care needed to perform its responsibilities.

H3: There are no significant differences between the perceptions of the internal and external auditors that the IAF evaluates, monitors, and improves the effectiveness of internal control, governance, and risk management processes.

3. RESEARCH METHODOLOGY

3.1. Data collection and design of the questionnaire

The research methodology is composed of two phases. Phase one included a series of interviews conducted with the CAEs in 10 Egyptian listed companies to understand the nature and the characteristics of IAF. The interviews were completed in the first half of 2018. Based on the information collected during the interviews and guided by the elements included in the IIA standards, a questionnaire was developed. Phase two of the study involved sending 150 questionnaires, using a scale from 1 to 5, to IAs and EAs (including partners, audit managers, vice managers, senior and junior auditors) of 30 companies in the index for corporate governance practices and social responsibility of the Egyptian Institute of Directors (EIoD) by e-mail/direct contact. The index includes food and beverage, chemicals, industrial goods and services, real estate, construction and materials, telecommunication, and financial services companies.

Table 1 illustrates the summary of the response rates of the questionnaire. The questions in the survey were closed-end form. The responses in the questionnaires are analyzed using descriptive and other statistical analysis techniques.

Table 1. Summary of the response rate of the questionnaire

<i>Details</i>	<i>Internal auditors</i>	<i>External auditors</i>
Questionnaires mailed	50	100
No. of responses	32	80
Usable questionnaires	30	70
Response rate	60%	70%

3.2. Demographic profile of the respondents

The analysis of respondents' demographic characteristics indicated that 100% of the respondents from the IAs were CAEs while the demographic data collected from the EAs on their current position and professional qualifications are shown in Table 2.

Approximately, 90% of the respondents from the IAs hold an undergraduate academic degree whereas the rest have a diploma in accounting. The average working experience of the IAs and EAs in their present positions was 8.4 and 9.5 years, respectively.

Table 2. Summary of the demographic data on respondents from external auditors

<i>Current position</i>	<i>Frequency</i>	<i>Percent</i>	<i>Cumulative</i>
Audit partners	2	2.9	2.9
Audit managers	2	2.9	5.7
Vice audit managers	18	25.7	31.4
Senior auditors	16	22.9	54.3
Junior auditors	32	45.7	100.0
<i>Professional accounting/auditing qualification</i>			
Professional qualifications (CPA, ACCA, Diploma, Master's degree, etc.)	38	54.2	
No professional qualifications	32	45.7	

4. FINDINGS AND DISCUSSION OF THE RESULTS

4.1. Descriptive analysis

4.1.1. The internal audit function is independent and objective

Attribute Standard 1100 stated that independence has two dimensions (IIA, 2016). First, the reporting lines identifying the internal audit position in the organizational structure. Second, free of interference and direct interaction with the board, AC and EAs. Accordingly, the respondents (IAs and EAs) were asked about their perceptions concerning the organizational independence of the IAF within the firms under study. Table 3 showed that IAs comply most with the requirements of the organizational independence standard represented in the reporting lines and the positioning of the IAF in the organization. On the other hand, the results showed low levels of compliance with free interference, proficiency, and objectivity. However, both auditors (IAs and EAs) agreed that the IAF in the listed firms enjoy a considerable degree of organizational independence where the IAs' reports are presented to the board or the AC and there are direct communication lines between IAs and the board. The results also revealed that although there was consensus between the IAs about compliance with the free of interference standard, EAs indicated that IAF suffered from a lot of difficulties when performing their assurance duties. The internal audit plan, for example, is not free of management interference as the chief financial officer (CFO) had a significant role in approving

the internal audit budget and reviewing and approving the internal audit plan. Similarly, while IAs admitted that they are still involved in the day-to-day activities of some departments and there is no periodic rotation of the IAs on the audit tasks, EAs did not see such significant involvement.

Attribute Standard 1210 on proficiency and objectivity of IAs (IIA, 2016), tested by respondents in statements 14 to 21, indicated consensus among both auditors that internal audit departments have adequate staff and possess enough knowledge and competencies needed to perform their work. However, EAs indicated that IAs lack professionalism as no minimum professional qualification level, such as Certified Internal Auditor (CIA), is required for appointing IAs. Thus, while the extent of compliance to the letters of Attribute Standard 1100 is high, the compliance with the spirit was low as several listed firms face many difficulties concerning free of interference, objectivity, and qualifications of the internal audit staff. These difficulties may reduce the ability of these companies to fulfill their role in corporate governance and not achieve all the benefits advocated by the stakeholders' theory. The results also indicated that EAs are more independent than IAs and followed objective monitoring mechanism in achieving corporate governance. These results are inconsistent with the higher levels of independence and objectivity of the IAF found in prior literature in some developed economies because of the well-structured internal audit departments, effective monitoring by oversight bodies, and regulations governing the IAF (Burnaby et al., 2009; Leung & Cooper, 2009; Marais et al., 2009).

Table 3. The perceptions of the internal and the external auditors concerning independence and objectivity

Variable name	Internal auditors			External auditors		
	Mean	Standard deviation	Ranking	Mean	Standard deviation	Ranking
Organizational independence						
The internal audit department follows the board/audit committee in the organization chart.	4.80	.407	1	4.53	.793	1
The internal audit department has an internal audit charter.	4.60	.563	2	4.2714	.63523	12
The internal audit charter is approved by the board and audit committee.	4.47	.776	6	4.2714	.74057	11
The internal audit plan includes scope restrictions by the senior management	2.47	1.306	21	3.2571	1.31530	21
The internal audit plan is reviewed by the external auditor.	3.63	1.189	17	4.0286	1.06283	15
The internal audit plan is approved by the audit committee	4.43	.679	9	4.3286	.73665	6
The chief audit executive has direct access to the senior management.	4.50	.630	5	4.40	.68947	2
The CAE has direct and free access to the board.	4.43	.504	8	4.3571	.61469	4
The CAE reports directly to the audit committee and the board.	4.43	.679	10	4.3143	.60296	9
The policies for appointing and dismissing the internal auditors are part of the audit committee's responsibilities.	3.80	.847	15	3.8571	.99689	18
The policies of dismissing and appointing the internal auditors are assessed by the external auditors.	2.70	1.088	20	3.6000	1.18444	19
Free of interference						
Internal audit activity carries out its responsibilities without restrictions.	4.53	.571	4	4.3286	.65323	7
There is no scope restriction by the management.	4.33	.661	13	4.2571	.75538	13
The internal audit plan includes scope restrictions by the senior management.	2.47	1.306	21	3.2571	1.31530	21
Communication of any impairment in the independence or objectivity.	4.57	.626	3	4.3286	.75607	5
Direct interaction with board						
The chief audit executive has direct access to the senior management.	4.50	.630	5	4.40	.68947	2
The CAE has direct and free access to the board.	4.43	.504	8	4.3571	.61469	4
There are direct communications with the external auditor.	3.87	.776	14	4.0143	.78929	16
The CAE reports directly to the audit committee and the board.	4.43	.679	10	4.3143	.60296	9
Objectivity and proficiency						
Periodic rotation of the internal auditor on the audit task.	3.40	1.037	18	3.8714	1.04841	17
The internal auditor is not engaged in the designing and execution of day-to-day operations.	3.80	1.126	16	4.0571	.91502	14
The policies for appointing and dismissing the internal auditors are part of the audit committee's responsibilities.	3.80	.847	15	3.8571	.99689	18
The policies of dismissing and appointing the internal auditors are assessed by the external auditors.	2.70	1.088	20	3.6000	1.18444	19
The external auditor assesses the internal auditor's performance.	2.80	.961	19	3.5714	1.22263	20
The internal auditors are enhancing their competencies through continuous education.	4.37	.490	12	4.3000	.74891	10
The internal auditors have enough knowledge of the recent amendments to the auditing standards.	4.40	.563	11	4.357	.7620	3
Internal auditors have knowledge of the financial and administrative aspects of the organization.	4.43	.504	7	4.3286	.71670	8

4.1.2. Internal auditors exercise due professional care and effectively manage their internal audit activities

The second aspect of the IIA's standards is due professional care and managing the internal audit activity (i.e., Attribute Standard 1220). This is achieved by considering the extent of the work needed to achieve the engagement's objectives, planning of the audit and related documentation, control processes, and the probability of significant errors, fraud, or non-compliance. Table 4 shows high levels of compliance to the letters of due professional care and planning standard with mean values of 4.30 and 4.53, respectively. The standard for which most of the respondents noted as having

low compliance is Standard 1300 "Quality assurance and improvement program" with a mean of 3.34. Such results are consistent with the findings of the CBOK 2015's study and other research in developed and developing countries attributable to the high costs of performing periodic assessments of the IAF and the lack of experience and skills to perform both internal and external assessments (Abdolmohammadi, 2009; Leung & Cooper, 2009; Burnaby et al., 2009). With respect to considering the probability of significant errors, fraud, or non-compliance with laws, IAs indicated lower levels of acceptance than EAs. No additional audit tests were performed to detect the above malpractices due to the small number of IAs in many companies, their lack of experience in designing such tests, and

the pressure placed on IAs to undertake special examination tasks for some management activities (Anderson, Christ, Johnstone, & Rittenberg, 2010; 2012). Also, IAs did not benefit management in reporting probable weaknesses in controls and achieve improvements through counseling to managers and the board on solutions for future business problems. These results show low levels of compliance to the spirit of Attribute Standard 1300 with a negative effect on the role of the IAF in corporate governance as an internal monitoring mechanism. This in turn violates the attributes of the stakeholders' theory showing deficient monitoring of the corporate operations.

Similarly, Performance Standard 2000 "Managing internal audit activity" required the CAE to effectively manage the audit activity to ensure it adds value to the organization by providing relevant assurance and contributing to the effectiveness and efficiency of governance, risk management, and control processes. Also, Performance Standard 2010 stated that the CAE must establish a risk-based audit plan to determine the priorities of the internal activity consistent with the organization's various goals and strategies. As shown in Table 4 both auditors agreed that IAs established a risk-based audit plan that determined the priorities of the internal audit activity, consistent with the organization's goals including governance, risk management, and control processes with mean values of 4.4 and 4.5, respectively. The results confirmed a high level of compliance to the spirit of the Performance Standard 2000 achieving some of the benefits and attributes of the stakeholders' theory. Moreover, the results indicated that both auditors agreed that the AC in the listed firms reviewed and approved the internal audit plan. However, the interviews indicated that the extent of details of the IA plan varied between firms based on their size, qualifications, and years of experience of the members of the AC and that for CAEs. Also, a detailed audit plan with a strict timetable was provided by large firms with the existence of an AC composed of members some of them hold professional certificates in accounting and finance. Such results are consistent with those found in Krishnamoorthy and Maletta's (2012), and Abbott et al.'s (2016) studies.

With respect to the documentation of the internal audit work, IAs indicated there is a lack of cooperation between both IAs and EAs. There is weak access of EAs to the internal audit documentation, a matter which may have a negative impact on the achievement of effective corporate governance practices and the benefits of the stakeholders' theory. Also, the ego of the EAs prevented them from indicating their inability to have access to the internal audit documents. Finally, Table 4 highlighted that both auditors showed low levels of acceptance concerning the internal assessments and ongoing monitoring of the performance and periodic self-assessments of the internal audit team. Such results reflect the weak role of the AC in overseeing the effectiveness of the IAF.

Finally, as to the external assessments, both auditors showed low levels of acceptance that the external assessments are conducted once every

five years. A possible interpretation for such a result is the limited resources allocated by top management for such a purpose and the misconception that IAF still does not provide value-added benefits to the company. In both auditors' opinions, the EAs did not monitor the periodic self-assessments due to the low fees paid to EAs in emerging economies compared with those in other developed economies (Abbott, Parker, & Peters, 2012). In general terms, the results are consistent with other previous studies that indicated lower levels of compliance with the spirit of the Standard 1300 as the listed firms have quality assurance programs but not yet fully implemented (Burnaby et al., 2009; Abdolmohammadi, 2009; Marais et al., 2009).

4.1.3. Internal audit function complies with performance standard concerned with governance processes, risk assessment, and internal control

Performance Standard 2100 states that IAF must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach. Table 5 showed that EAs agreed that most of the internal audit activities are still focused on financial audit and internal control compliance activities with few contributions regarding risk management and other management support activities. Both respondents agreed that the IAs evaluate the adequacy of controls regarding risk exposures relating to compliance with laws, policies, procedures, and contracts due to the severe penalties imposed on both auditors, if the company violates the requirements of law and regulations in emerging economies. Moreover, the results showed a low level of internal audit activities engaged in addressing the various types of risks, such as risks associated with project management, mergers, acquisitions, and disaster recovery. These results are inconsistent with the results found in prior studies in developed economies. A possible interpretation for such inconsistency is the lack of knowledge, skills, and training related to the understanding and assessment of these complicated types of risks by internal auditors in emerging and developing countries compared with developed countries. Moreover, Paape, Scheffe, and Snoep (2003) indicated that, in European countries, most of the CAEs across 15 European countries engaged in consultancy and management support activities. Leung and Cooper (2009) revealed that most of the IAs in the Australian firms regarded risk management as an important internal audit objective. Such differences may be due to the lack of education and training for the IAs in relation to consulting and other management support activities in the global market and the existence of a professional association to regulate the internal audit profession. Therefore, significant efforts should be made to develop the IAF from its traditional role towards the value-added role to increase its effectiveness as a corporate governance internal monitoring mechanism and to help achieve all benefits of the stakeholders' theory.

Table 4. Perceptions of internal and external auditors concerning planning, due professional care, and quality assurance program

Variable name	Internal auditors			External auditors		
	Mean	Standard deviation	Ranking	Mean	Standard deviation	Ranking
Planning						
The internal audit plan is discussed and approved by the audit committee.	4.53	.507	2	4.39	.748	3
The CAE establishes a risk-based audit plan which determines the internal audit priorities "due professional care".	4.33	.661	5	4.1429	.76681	13
The internal audit plan considers the expectations of the management, board, and other stakeholders.	4.33	.802	6	4.3857	.72817	2
The internal audit plan determines the risk exposures associated with the organization's operations and strategic objectives.	4.30	.750	7	4.1000	.80127	16
The internal audit plan includes activities that evaluate the adequacy of the internal control and risk assessment processes.	4.13	.860	12	4.19	.597	10
The internal audit plan identifies the material risks and how these risks are kept to an acceptable level.	4.03	.809	14	4.2571	.79282	7
Due professional care						
The CAE establishes a risk-based audit plan which determines the internal audit priorities.	4.33	.661	5	4.1429	.76681	13
The internal audit plan determines the risk exposures associated with the organization's operations and strategic objectives.	4.30	.750	7	4.1000	.80127	16
The internal auditor evaluates the effectiveness and efficiency of internal control and risk management processes.	4.30	.837	8	4.2000	.84442	8
The internal auditor assesses the adequacy of the control procedures and participates in the improvement of such procedures.	4.20	.761	11	4.26	.630	6
The internal audit charter is consistent with the organizational status and size.	4.10	.712	13	4.13	.760	14
The internal audit plan identifies the material risks and how these risks are kept to an acceptable level.	4.03	.809	14	4.2571	.79282	7
Additional tests are designed by the internal auditor to detect any potential significant errors of fraud or non-compliance to laws.	3.93	.980	17	4.10	.819	15
Quality assurance and improvement						
The chief audit executive develops and maintains a quality assurance and improvement program "Quality assurance".	4.23	.679	10	4.14	.822	12
Self-assessment of the independence and proficiency of the internal audit team.	4.50	.682	3	4.40	.710	1
The CAE monitors the internal assessment process.	4.43	.504	4	4.27	.741	5
The external assessors do not have a real conflict of interest.	4.23	.817	9	4.17	.916	11
External assessment is conducted by an independent assessor.	4.03	.928	15	4.19	1.011	9
Periodic self-assessment of the internal audit team.	3.93	.907	16	3.96	.924	20
The external auditor reviews the external assessment reports.	3.70	1.022	18	3.97	1.021	18
External assessments are conducted once every 3 or 5 years.	3.63	.999	20	3.74	1.059	22
External auditors monitor the periodic self-assessments.	3.40	1.070	21	3.91	.944	21
Documentation						
Documentation of the internal audit work.	4.60	.621	1	4.39	.597	4
The access of the external auditors to the internal audit papers.	3.67	1.348	19	4.01	.985	17
The internal audit documentation is reviewed by the external auditors.	3.37	1.299	22	3.96	.984	19

Regarding the interaction, coordination, and communication between internal and external auditors, the results revealed that there are weak interaction levels between them from the IAs' view with a mean value of 3.8. EAs had poor access and did not rely on internal audit reports and working papers. The EAs, on the other hand, showed a high level of acceptance concerning access to the internal auditing working papers with a mean value of 4.20. On the other hand, Table 5 showed high levels of

interaction between the internal audit and the ACs which is part of giving a positive example for the application of social identity theory. Both respondents agreed that the internal audit reports are reviewed by the ACs with mean values 4.5 and 4.3, respectively. Such results confirm the positive effect of the internal audit role in achieving its corporate governance monitoring objective given other factors determined in Cular et al.'s (2020) study. They indicated that although EAs decisions

to use the evidence or direct assistance of IAs when they engage in risk management consulting provide value to an organization, it can also put the objectivity and independence of IAs at risk. Cular et al. (2020) found that EAs reliance on the IAF depends on the effectiveness of the AC monitoring the internal auditors' activities. EAs reliance on

the IAF is highest when the latter provides risk management consulting under the supervision of a strong audit committee. Moreover, they stated that the effect of AC effectiveness on the reliance decision is mediated by the EAs perception of internal auditors' objectivity.

Table 5. The perceptions of the internal and the external auditors concerning the scope of work of the internal audit activities

Variable name	Internal auditors			External auditors		
	Mean	Standard deviation	Ranking	Mean	Standard deviation	Ranking
Financial scope and internal control activities						
Internal auditors communicate control and risk information to the appropriate areas.	4.47	.730	1	4.29	.705	6
The internal audit evaluates the adequacy of the controls regarding compliance with laws and regulations.	4.47	.730	3	4.36	.682	2
The internal audit activity assesses the adequacy of the controls in responding to risks associated with the safeguarding of the assets.	4.33	.547	8	4.34	.634	3
Internal audit activity evaluates the adequacy of the control regarding the risk exposures associated with the achievement of strategic objectives.	4.30	.750	9	4.21	.635	8
Internal audit activity involved in evaluating the adequacy of the controls of government operations and information system.	4.17	.699	10	4.17	.722	12
Financial scope activities of bookkeeping.	3.93	.907	16	4.26	.557	7
Governance processes						
The internal audit assesses whether the organizational objectives align with the organization's mission.	4.40	.675	5	4.19	.937	10
Material risks are identified and assessed and align with the organization's risk appetite.	4.37	.765	7	4.07	.729	15
Internal audit activity involved in evaluating the adequacy of the controls of government operations and information system.	4.17	.699	10	4.17	.722	12
Risk management and consulting activities						
Internal auditors have sufficient knowledge of the key information technology risks and controls.	4.37	.615	6	4.17	.742	13
Internal audit activity is involved in assessing the risks associated with current and potential claims.	4.13	.730	11	3.99	.860	17
Review of the risks associated with accounting estimates.	4.03	.928	12	4.31	.627	5
Internal audit is engaged in assessing material risks associated with huge and quick expansions.	3.97	.765	13	4.00	.917	16
Internal audit assesses risks associated with partial or inappropriate compliance with a new release of the standards.	3.93	.868	14	4.19	.687	11
The internal auditors have sufficient knowledge of the material risks associated with local and international competition.	3.93	.785	15	3.76	.939	19
Internal auditors have sufficient knowledge of the risk exposures associated with international expansion decisions.	3.80	.714	18	3.89	.941	18
Risk exposures associated with consulting engagements.	3.80	.925	19	4.10	.903	14
The internal audit report is accurate, timely, complete, and clear.	4.47	.571	2	4.37	.726	1
Internal auditors communicate control and risk information to appropriate areas.	4.47	.730	1	4.29	.705	6
The external auditor views the results of the internal audit work.	3.87	.937	17	4.20	.844	9
The internal audit report is reviewed by the audit committee.	4.40	.489	4	4.33	.631	4

4.1.4. Descriptive analysis of all IIA attribute standards

Table 6 showed the mean values of the perceptions of the IAs and EAs in relation to compliance with attribute standards. The results of the combined analysis of all the IIA attribute standards tested are like those presented for each individual attribute standard. Both auditors agreed that IAF enjoyed adequate reporting and direct communication lines with the board and the AC. However, EAs did not agree with IAs that the IAF enjoyed free of

interference in their scope of work as well as the issue of objectivity as they claimed that the IAs are still engaged in the design and execution of daily operations of the organization in a manner that deters their objectivity. IAs lack a minimal professional qualification for recruitment by companies under analysis. Also, while the professional due care standard showed high levels of compliance, Standard 1300 "Quality assurance and improvement program" had a low compliance level. These results are consistent with the results found by the IIA CBOK global survey

obtained from some of the developed and developing countries (Cooper et al., 2006; Burnaby et al., 2009). Finally, both auditors also agreed that the IAF did not yet move towards its new value-added role through providing more

management support activities. These results reveal that while the extent of compliance to the letters of the IIA standards is high, the compliance with the spirit is still low.

Table 6. Descriptive analysis of the combined research questions

Variables	Auditors								
	Internal auditor			External auditor			Total		
	Mean	No.	Standard deviation	Mean	No.	Standard deviation	Mean	No.	Standard deviation
Organizational independence	4.02	30	.40	4.11	70	.48	4.08	100	.46
Free of interference	3.98	30	.45	4.04	70	.50	4.02	100	.48
Direct interaction with board	4.31	30	.52	4.27	70	.49	4.28	100	.50
Objectivity	3.30	30	.65	3.79	70	.81	3.64	100	.79
Proficiency	3.75	30	.47	4.00	70	.68	3.93	100	.63
Overall mean H1	4.04	30	.35	4.13	70	.48	4.10	100	.45
Planning	4.28	30	.54	4.24	70	.53	4.25	100	.53
Due professional care	4.17	30	.55	4.17	70	.56	4.17	100	.55
Quality assurance and improvement	4.01	30	.54	4.08	70	.70	4.06	100	.66
Documentation	4.27	30	.56	4.26	70	.53	4.26	100	.54
Overall mean H2	4.09	30	.50	4.15	70	.56	4.13	100	.54
Financial scope and internal control activities	4.28	30	.50	4.27	70	.45	4.27	100	.46
Governance processes	4.31	30	.57	4.14	70	.68	4.19	100	.65
Risk and consulting activities	4.00	30	.57	4.05	70	.62	4.03	100	.60
Overall mean H3	4.16	30	.41	4.17	70	.51	4.17	100	.48
Overall mean	4.09	30	.36	4.15	70	.47	4.13	100	.44

4.2. Inferential statistics

Because the data are not of a normal distribution, we used Mann-Whitney to test the various hypotheses. In relation to *H1*, there is consensus among both auditors that the IAF enjoys adequate reporting lines and positioning within the organization structure as well as direct communication lines with the board and the AC. However, EAs did not agree with IAs that the IAF enjoys free of interference in their scope of work as well as the issue of objectivity. When interviewing the CAEs and EAs, they also indicated that there is no periodic rotation of IAs on the audit tasks, a matter which impairs the objectivity of their work and responsibilities. Moreover, the results indicate that internal audit departments may have adequate staff but IAs lack professionalism due to malpractices and underdeveloped structure of the internal audit profession. Based on the above results, we partially reject *H1* (see Table 7) indicating that the IAF faced difficulties of compliance with IIA standards for independence and objectivity when performing its

responsibilities. The results in Table 7 support the acceptance of *H2*. Both auditors agree that IAs possess considerable levels of knowledge and skills needed to perform their responsibilities and they establish a risk-based audit plan that determines the priorities of the IAF, consistent with the organizations' goals. However, the quality assurance and improvement program Standard 1300 face some difficulties of compliance with its requirements. The results also show low levels of acceptance among both respondents especially IAs concerning the internal assessments and ongoing monitoring of the performance and periodic self-assessments. Finally, we also accept *H3* where both auditors agree to a high extent that most of the internal audit activities in the listed firms are still focused on financial audit and internal control activities. Also, both auditors agree but with low levels that part of the IAF related to evaluating, monitoring, and improving the effectiveness of the risk management and other governance processes within the business organization.

Table 7. Results of testing the hypotheses

Null hypotheses	Mann-Whitney U test, Sig.	Decision
<i>H1: There are no significant differences between the perceptions of the internal auditors and the external auditors about the independence and objectivity of the internal audit function.</i>	0.006	Reject H_0
<i>H2: There are no significant differences between the perceptions of the internal and the external auditors that the IAF manages its activities and exercises due to the professional care needed to perform its responsibilities.</i>	0.350	Accept H_0
<i>H3: There are no significant differences between the perceptions of the internal and the external auditors that the IAF evaluates, monitors, and improves the effectiveness of internal control, governance, and risk management processes.</i>	0.750	Accept H_0

4.3. Multivariate analysis for personal attributes

To examine if there is a variation in the sample attitude towards the compliance with standards due to job title, we conducted the Kruskal-Wallis test

to compare the attitude of the respondents "the external auditors" according to their job title. Table 8 shows that there is a single variation in the sample attitude concerning the "documentation" requirement of the standards with (p -value = 0.01),

the highest mean rank was for “vice audit manager” since the mean rank was 47.19, and the lowest rank was for “audit managers” and “junior auditors” with mean ranks of 29.25, 26.5, respectively. All other variables showed no variation in attitude according to a job title with (p -value > 0.05). We also conducted a Spearman correlation, as shown in Table 9 to examine if there is a relationship between compliance with the IIA standards and years of

experience. The results showed there is a significant correlation between the “quality assurance and improvement” and “years of experience” only ($\rho = -0.372$, p -value = 0.043), while all other variables showed no relation (p -value > 0.05). Based on the above results, we conclude that there is no significant relationship between the personal attributes of the respondents and compliance with IIA standards.

Table 8. Kruskal-Wallis test to compare the attitude of external auditors to their job title

Variables	Mean rank (Job title)					p-value
	Audit partners	Managers	Vice manager	Senior auditors	Junior auditors	
Independence	30.25	41.25	36.11	27.09	39.33	.380
Free of interference	19.75	62.00	35.58	30.31	37.38	.192
Direct interaction	26.75	40.50	45.39	25.06	35.39	.055
Objectivity	22.50	47.25	35.58	29.59	38.48	.467
Proficiency	28.75	52.25	36.19	27.63	38.42	.318
Overall mean H1	29.00	55.50	37.78	27.13	37.56	.247
Planning	31.50	51.00	38.31	33.63	34.14	.756
Due professional care	24.50	57.75	39.72	31.88	34.23	.350
Quality assurance and improvement	16.00	54.00	38.97	28.16	37.28	.172
Documentation	29.25	38.00	47.19	26.50	33.66	.041
Overall mean H2	20.00	62.75	38.03	30.50	35.84	.198
Financial scope and internal control activities	24.50	54.00	35.83	26.44	39.38	.150
Governance processes	13.75	53.50	39.97	27.44	37.25	.102
Risk and consulting activities	23.75	48.25	31.14	31.41	39.94	.345
Overall mean H3	20.75	53.50	32.94	30.03	39.47	.259
Overall mean	21.50	59.25	37.58	28.63	37.16	.207

Table 9. Spearman correlation between the variables of compliance with internal auditing standards and years of experience

Variables	Internal auditor		External auditor	
	Correlation coefficient	p-value	Correlation coefficient	p-value
Organizational independence	-.219-	.244	.221	.066
Free of interference	-.184-	.331	.122	.316
Direct interaction with board	-.250-	.183	.178	.141
Objectivity	-.137-	.471	.110	.366
Proficiency	-.167-	.378	.112	.354
Overall mean H1	-.161-	.396	.171	.158
Planning	-.149-	.433	.096	.429
Due professional care	-.189-	.317	-.016-	.897
Quality assurance and improvement	-.372-*	.043	.052	.669
Documentation	-.182-	.335	.181	.133
Overall mean H2	-.333-	.072	.057	.642
Financial scope and internal control activities	-.079-	.679	.228	.058
Governance processes	-.144-	.447	.027	.824
Risk and consulting activities	-.157-	.406	.170	.159
Overall mean H3	-.141-	.457	.124	.305
Overall mean	-.360-	.051	.141	.245

Notes: * Correlation is significant at the 0.05 level (2-tailed).

5. CONCLUSION

The current study surveyed the degree of usage and compliance with the IIA standards in an emerging economy. The descriptive results revealed that the IAF faced many difficulties concerning the free of interference, objectivity, and qualifications of the IAs. The internal audit plan is not free of scope restrictions by the senior management and IAs are engaged in daily operations of the business and no periodic rotation on their audit tasks. Moreover, the IAF did not yet succeed in establishing quality assurance and improvement programs, ongoing monitoring, and self-assessment by other persons inside the organization who have enough knowledge of internal audit practices. In general terms, the results are consistent with the results in

the literature that indicated lower levels of compliance with Standard 1300 “Quality assurance and improvement”, thus reducing the potential of the IAF in enhancing corporate governance. In addition, EAs argued that the internal audit activities are still financially oriented and the need for such activities to provide a wider spectrum of assurance and consulting activities to help IAF achieves its role in corporate governance. This requires more focus on continuing professional development including training and certification of auditors. With regards to the interaction with other corporate governance participants, the results showed low levels of interaction between the internal and the external auditors even though the standards require that they communicate the results of their reports to the ACs.

The inferential statistics provided evidence to partially reject the *H1* and concluded that the IAF in the listed firms faced the difficulty of compliance with IIA standards for independence and objectivity. On the other hand, the *H2* and *H3* were supported indicating that both auditors agreed that IAs possessed considerable levels of knowledge and skills required to fulfill their responsibilities and most of the internal audit activities are still focused on financial audit and internal control activities. However, part of such activities relates to assessing the effectiveness of the governance processes within the business organization. EAs should play a more positive role in the development of the IAF within their audit clients by including a section in their management letters highlighting elements in the IAF requiring improvement especially in relation to audit techniques applied, documentation of the IA tasks and the structure, content, and timing of the internal audit reports. EAs should be more informative in relation to the IAF when presenting key audit matters to the ACs including recommendations for increasing the size of the internal audit department to have positive effects on corporate governance, the organizational experience of CAE, the ability to undertake IT auditing, and the continued rotational staff development program. As to whether the personal attributes of the research's respondents affected the compliance with IIA standards, the analysis indicated no significant relation between such attributes and the compliance with IIA standards.

The current research has several contributions to the literature. First, it identifies points of agreement and disagreement between IAs and EAs in the application of the various internal auditing standards and the role of the IAF in corporate governance. Second, it emphasizes the gap still existing between IAs and EAs in relation to their interactions, communication, and cooperation to

enhance the quality of the IAF activities and the quality of financial reporting. Efforts must be exerted to ensure more objectivity and independence of the IAs activities for more reliance of the EAs on their work. Third, the research shows the need for more efforts to improve the interim assessments of the IAFs by qualified consultants under the supervision of the EAs. This would provide solid evidence to EAs to rely more on the work performed by the IAs in fulfilling their responsibilities including their governance tasks. Finally, the research confirms that the audit profession in emerging markets may still be considered less matured in terms of its structure, recruitment requirements, function, and methods of reporting internal audit results. A matter which prevents organizations in these markets to fully realize all the attributes associated with the applications of both the social identity and stakeholders' theories. This study has a few limitations. First, the small sample size and reliance on the only CAEs within the internal audit departments may have influenced the results. However, one may argue that the sample and use of the CAEs may be appropriate given the difficulties related to carrying the survey within the auditing profession as most of the IAs are busy performing their jobs' duties. Second, the researchers did not explore the compliance with all IIA standards; only compliance with the standards that are important in enhancing the effectiveness of the IAF in corporate governance. Future studies may extend the scope of their investigations to include the other IIA standards covering many of the internal audit activities. We also encourage standard setters to assess the effects of the cultural and jurisdictional norms of different countries when issuing or updating ISAs as well as IIA standards to ensure corporations having transnational activities and presences.

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