

# The Impact of the Principle of Independence on the Quality of the Internal Auditor's Reports<sup>1</sup>

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## ABSTRACT

The study aimed to identify the factors affecting the quality of the reports of the internal auditor, including the principle of independence. The study dealt with the variables of the study (independence and the quality of the reports of the internal auditor) through the literature and reference studies of the researchers. A descriptive technique was used as the research design. The sampling method that was used is sampling technique. Stratified samples, primary data were collected using the self-questionnaire, the data collected were analyzed with the help of the statistical package (SPSS), the study concluded that the principle of independence affects the decisions of the internal auditor, as well as contributes to enhancing accountability and performance of the institution.

## INTRODUCTION

The auditor plays an essential role in economic life because of the confidence his report adds to the audited financial statements, and when applying the different stages of the audit process, the auditor must maintain a high moral level that determines for him a kind of commitment in his professional behavior before God first, and before himself second, and before society, finally, in a way that supports its independence, on this basis, the aim of the research is to indicate the threats that affect the independence of the auditor, and to achieve the goal of the research, a hypothesis was formulated that emphasizes the existence of a statistically significant relationship between the threats facing the auditor and his professional independence. In the light of testing the hypotheses of the research, it was concluded that the financial interests of the auditor with the client can affect the independence of the auditor, and that the threats of self-review can affect the independence of that auditor as well, and that unprofessional familiarity and the auditor's defense of the client's interests can also affect the independence of the auditor and the reviewer.

## THE FIRST TOPIC: RESEARCH PROBLEM

The principle of independence is considered one of the important principles in the work of the auditor, and that the principle of independence is linked to the principle of transparency, and therefore it can affect the quality of financial reports, and through the above, the research problem can be formulated through the following question:

Can the principle of independence contribute to improving the quality of the internal auditor's reports?

In order to answer this main problem, it was divided into partial problems, namely:

1. Is there a relationship between independence and internal auditing?
2. Is it possible for independence to affect the quality of the internal auditor's reports?

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**Research Hypotheses :**

In light of the questions of the research problem and to answer these problems, the following main hypothesis was formulated:

There is a statistically significant complementary relationship between independence and the quality of the internal auditor's reports. Through the main hypothesis, the following sub-hypotheses were formulated:

- A. There are no statistically significant differences between the opinions of the study sample about the availability of independence conditions for the internal auditor and their role in raising the efficiency of the quality of the internal auditor's reports.
- B. There are no statistically significant differences between the opinions of the study sample about the availability of quality conditions for the internal auditor's reports and their role in raising the efficiency of the service and enhancing its competitiveness.

**Research Objectives:**

The main objective of the research is to verify the aforementioned hypotheses and reach certain results regarding the questions within the framework of the research problem. This can be achieved by dividing the research objectives into the following two main sections:

1. Highlighting the importance of the availability of the conditions of independence for the internal auditor and the rules and instructions for independence stipulated in the instructions and laws.
2. Checking the availability of independence conditions in actual professional practices from the point of view of all relevant groups, and finding out the opinions of the groups covered by the research regarding the obstacles that may prevent the fulfillment of independence conditions.
3. Verifying that there are no obstacles to providing the conditions for the independence of the internal auditor.

The research also aims to:

- A. Understand the principle of independence.
- B. Learn about internal references.
- C. Clarify the effectiveness of the internal auditor.
- D. Determine the difficulties facing the internal audit.

**Research Importance :**

The importance of the research lies in developing the role and work of the internal auditor, raising his efficiency, and the importance that the internal auditor has in institutions or companies, as he works to improve the internal control system, through its advisory and assurance services, and to provide possible corrections in the system.

**Reference Studies:****1. Study (2014), Thuweba Ndunge Kimotho entitled (Factors Affecting the Independence of Internal Audit: A Case Study of Mombasa Technical University).**

The study aimed to identify the factors affecting the independence of internal auditing at Mombasa Technical University and the various variables that weakened it. The study dealt with conducting a literature review on the different independent variables that affect the dependent variable. Where a descriptive technique was used as the research design, the sampling method that was used is the stratified sampling technique, the primary data was collected using the self-questionnaire and it was purely quantitative, the collected data was analyzed with the help of the statistical package for social scientists SPSS, the study concluded that the independence of the audit Internal auditing is critical to the organization and to help enhance the accountability and performance of the organization by its employees. (Thuweba Ndunge Kimotho ,2014, p145)

**2. The Study of Bin Hamed, Halima, 2015, entitled (The Role of Internal Audit in Activating the Internal Control System).**

The study aimed to identify the concept of internal audit and the internal control system, and to highlight the impact of internal audit in activating and evaluating the internal control system in institutions. In the theoretical aspect, the study dealt with interest in using the descriptive approach to extract and collect information and data. On the practical side, the study relied on the case study approach to project the entirety of what was discussed in the theoretical side of the study on the institution under study, which is the Oasis Mills Corporation. The study concluded that the internal audit is considered an administrative tool of the general administration of the institution, and that it works to develop and improve the internal control systems, as well as works to prevent and reduce errors. (Ben Hamed, Halima, 2015, p.1)

**3. A Study by Sara and Al Ghattas, 2018, entitled (The Role of Internal Audit in Activating the Internal Control System).**

The study aimed to clarify the concept of internal audit and the internal control system in the institution and to highlight the role of internal audit in activating and evaluating the internal control system, and that internal audit is a basic pillar for activating the internal control system, which in turn ensures the achievement of the objectives of the institution. The study dealt with a case study to prove what was reached in. The theoretical aspect of the study is based on the sample under study, which is the grain and dry vegetable cooperative. The study concluded that the internal audit is a tool of the internal control system, and for this every institution must set up an internal audit department to access information characterized by effective characteristics and high quality, and that the internal control system is a set of plans, policies and procedures aimed at ensuring the protection of the institution. (Hasina, Al-Ghattas & Sara, Shaqian, 2018, p. 3)

**4. Study Thu Trang Ta and Thanh Nga Doan 2022 entitled (Factors Affecting the Effectiveness of Internal Audit: An Empirical Research in Vietnam)**

The study aimed to demonstrate the impact of the factors affecting the effectiveness of internal auditing. The study dealt with four factors affecting the effectiveness of internal auditing in Vietnam, which are the independence of internal auditing, the efficiency of internal auditors, management support for internal auditing, and the quality of internal auditing work. Quantitative and qualitative assessments were conducted, including logistic regression model and other analyses, using SPSS software, through semi-structured in-depth interviews and online survey. The study found 144 answers from Vietnamese internal auditors of non-financial companies listed on the Vietnamese stock market in 2021, after processing the data, the results revealed two factors (the independence of the internal auditor and management to support the internal audit) with a positive impact on the effectiveness of the internal audit, while the efficiency of the internal auditors and the quality of the internal audit work did not affect the effectiveness of the internal audit. (Thu Trang Ta & Thanh Nga Doan, 2022, p 1-14)

**5. The Study of Miriam Bengkan Lunto, titled, 2022, (The Conceptual Perspective of the Effectiveness of Internal Audit to Prevent Fraud)**

The study aimed to synthesize relevant theoretical and empirical literature to develop a conceptual framework and proposals on the precedents for the effectiveness of internal audits to prevent fraud. The study deals with the literature review approach and uses institutional theory, organizational support theory and quality theory to develop a conceptual framework and produce proposals that are theoretically justified and supported by previous research. This study combines the three theories to provide additional insight to set precedents and the effectiveness of internal auditing and to create a conceptual framework that did not exist before, the study concluded the need to empirically test the effectiveness of internal audits within the proposed theoretical framework to set precedents in the context of fraud prevention by developing the proposals presented in this research into testable research hypotheses. (Lonto, Miriam Bengkan, 2022, pp. 9863-9875)

**THE SECOND TOPIC: INDEPENDENCE****First: Definition and Concept of Independence:**

The terminology used for independence differed, as there are those who use the term independence and others use the term neutrality, and the reason for the difference is due to the extent of the influence of the two schools interpreting the term independence. The American school prevails over the personal view and considers it independent in thinking. While the English school believes that it represents a set of legal guarantees or what is called the objective view, and currently both schools are taken to define the concept of independence.

Independence in auditing is defined as the presence of an unbiased point of view during the performance of the tasks of the audit process, evaluation of results and preparation of the report according to this point of view. The auditor must abide by the principle of independence, which is one of the most important elements of the auditing profession. Here, a distinction must be made between two concepts of independence:

**The first concept:** related to the reference person (mental independence).

**The second concept:** (apparent independence). They will be dealt with in some detail. (Collier. A., 1993, p 30)

The strength of the audit committees and their ability to carry out their tasks and responsibilities entrusted to them lies in their independence. If the members of the audit committee do not have independence, they protect the interests of management only, and they cannot play the role of the independent observer and lose their position and position in protecting the external auditor, whose duty is to protect and consolidate his independence.

The independence of the audit committees must be in appearance and in substance, and the appearance of independence is achieved when any ordinary person who knows the interests of the members of the audit committees can be assured of the objectivity of their work and that these interests do not affect their work. The essence of independence is to ensure that the interests of the members of the committee do not affect the management or references on her work.

The study (Abbott et al.) also found that independent and effective audit committees help reduce financial reporting adjustments. (Abbott ,L.S. ,S. Parker & G. F. Peters, 2004)

The study of (AL - Akra) (Mutchler, 2007 and others 2016) indicated that one of the important factors affecting the effectiveness of internal auditing is the independence of the internal auditor.( Mihret and Dessalegn Getie, 2007, p 95-567)

A study (Wahla and Omri 2016) indicated that the independence of the internal auditor has a positive impact on the effectiveness of internal auditing. (Wahla, Dalai & Omari, Muhammad Ali Ibrahim, 2016)

The researcher believes that it is necessary for the members of the audit committee to have real and virtual independence in order to achieve the desired goals.

It is possible to distinguish between two concepts of independence in auditing, developed by the US Securities Commission, as follows:

**A. Mental Independence (true):**

Mental independence means that the reviewer is stripped of any motives, pressures, or special interests when expressing his neutral technical opinion, as this is consistent with the personal subjective theory that considers that independence is a mental state for which no clear criteria or specific criteria can be set, because these criteria may change. However, mental independence does not change its concept, as the reviewer must be honest and impartial, committed to truthfulness in his testimony, and revealing the truth in his report.

**B. virtual independence:**

The meaning of apparent independence is that there are professional norms and rules that guarantee that the institution's management does not control the auditor and that there is no connection of his interests with the institution's management. As a mental issue, the judgment is left to the auditor himself. Rather, it must be viewed as an objective issue governed by specific rules and standards. (Metarna, Ghassan Falah, 2006 , p. 86)

And (Muhammad and Omar) see from the above that the concept of independence consists of two parts:

- ❖ The obligation to follow objective standards and rules that prevent the auditor from combining his work with participating in establishing an institution or membership of the board of directors or being an employee therein, or having or one of his relatives having a direct or indirect interest in the institution whose accounts he is auditing.
- ❖ Independence is a mental issue linked to the personality of the auditor, his independence and honesty, and to be impartial and objective, meaning the ability to make difficult ethical decisions about right or wrong by applying the rules of professional conduct and professional ethics to different cases, as well as the ability to weigh matters without bias from the point of view of all parties involved. affected by these decisions. (Mohamed, Buraq, & Omar, Delami, 2011, p.61)

The independence of the internal auditors allows making neutral and unbiased judgments necessary for the correct behavior of the engagements, as auditing processes have existed since the development of commercial companies in 1983 AD. Auditing services are required as a control mechanism due to potential conflicts of interest between owners and managers as owners and various other categories of securities holders in the institution. (Deangeb, 1981). This audit role means that auditors are used as a mechanism to enhance the credibility of the financial statements, as the general public who are not involved in the management of the organization today can have a certain level of confidence in the reported financial position.

The independence of the internal audit must be seen within the framework of corporate governance and the responsibilities of organizations towards stakeholders, and this implicitly includes the public interest, whatever its definition may be. Therefore, a critical survey was conducted for analysis regarding the relationship between the organization and its internal auditors in the overall corporate governance race. The audit was expanded to include experiences and studies, international where appropriate. (Kimoto, Thopia Ndong, 2014, p. 145)

### **Second: Independence in Auditing Accounts:**

Independence is one of the concepts that distinguishes the auditing profession from other free professions. The lawyer is always in the position of defending a process and does not hide the effort he makes in order to defend him and prove the validity of his case. As for the auditor, he is required to submit a report in which he expresses his opinion on the extent of what he gives. The accounts of the institution are those who believe the truth about the results of its work, and when the auditor submits this report, he does so not for the purpose of satisfying his customer. However, in order to provide reliable information by other parties such as investors, government agencies, financial institutions and financial analysts, whose interests may conflict with the interest of the institution, then the auditor must be independent so as not to lose the confidence of these parties and the degree of their reliance on the opinion he presents.

### **The Principle of Independence has Four Basic Dimensions:**

- A. To be completely independent of the party whose data is being reviewed and not subject to its authority.
- B. That the auditor has no interest in the company subject to the audit, materially or morally.
- C. The auditor should not have a prior opinion, and if this opinion is available to him, it should not affect the results of his work.
- D. The auditor must have mental or self-independence, and this stems from the extent of his belief in his profession and the message he performs. (Collier. A., Audit Committees in Major U. K. 1993, p 30)

### **Third: Factors Affecting the Independence of the Internal Auditor:**

The independence of the internal auditor represents the cornerstone of the auditing profession, and with regard to the credibility of the internal auditor's report and the degree of confidence that the users of the financial statements place in this report. American Securities and the American Institute of Certified Public Accountants, where these studies and reports acknowledge the weakness of the independence of the internal auditor and the multiplicity of factors that may negatively affect this independence.

With the increasing reliance on accounting information and the multiplicity of parties interested in it, the auditing profession has taken positive steps to reduce any expected possibility of lack of independence. Taking such steps requires studying the most important factors that may affect the independence of the internal auditor, including:

### **1. Academic Qualifications and Practical Experience of the Internal Auditor:**

The first criterion of the general auditing standards includes the need for the internal auditor to have the technical knowledge, practical experience and professional competence that may qualify him to work as an auditor, through the need to train him before practicing the profession, sufficient training that enables him to know the largest number of problems and requirements for practicing the profession in addition to his scientific qualification that it is represented in the auditor obtaining the appropriate scientific degree that provides him with a measure of knowledge that he obtains through institutes and colleges that provide training in the fields of accounting and auditing. In addition to his knowledge of other aspects such as behavioral and administrative aspects, methods of communication, laws related to his work and the economy, as well as statistical methods and how to deal with the computer, some even believe that the auditor's familiarity with other knowledge is of great importance in clarifying the numbers included in the financial statements for others so that they can understand them, but the another goal is to ensure the independence of the internal auditor with a great deal of scientific qualification and the necessary practical experience, as he is keen on his reputation and independence, as well as performing his work honestly and objectively. (Al-Mashhadani, Omar Iqbal, & Al-Johar, Karima Ali, 2012, p. 489)

### **THE THIRD TOPIC: INTERNAL AUDITOR**

#### **First: Introduction:**

Internal audit is one of the most important methods of internal control, as the presence of the internal auditor means achieving the effectiveness of internal control, and that is why institutions must ensure that they are applied according to the standards authorized to them in order to prove the validity of their data and the credibility of their financial statements, and analyze the results in order to know their strengths and weaknesses.

#### **Second: Definition and Concept of Internal Auditor:**

There are many definitions provided for the concept of internal auditor, according to many researchers, we summarize them as follows:

(Ibrahim) defined the internal auditor as an independent evaluation function established within the organization to examine and evaluate its activities, aiming to assist individuals in performing their responsibilities effectively. Hence, we find that the function of the internal auditor is not limited to administrative control only, but also includes accounting control and internal control, and it is an advisory function more than an executive one. (Ibrahim, Fatima Ahmed Musa, 2016, p. 19)

As defined by the French Institute of Internal Auditors and Auditors IFACI, the internal auditor is the person who performs a periodic examination of the means placed at the disposal of senior management in order to control and run the institution. The league is therefore an audit of whether the applicable procedures include adequate safeguards, i.e., the information is true, the regulations are effective, and the structures are clear and appropriate. (Putin, Muhammad, 2009, p. 15)

Muhammad also defined him as part of "a sub-committee affiliated with the company's board of directors, consisting mainly of non-staff members of the board of directors. It aims to supervise and follow up on the work of the external and internal auditor, and fact-finding the issues assigned to it by the board of directors". (Muhammad, Muhammad al-Fayoumi, 1994, p. 41)

While (Ahmed) defined him as "one of the members of the main committees of the Board of Directors, and its composition can be seen as a development of the audit process in its broadest sense, and the audit committee consists of three to five part-time members of the Board of Directors who are appointed from outside the company, that is, they do not perform any work Executive within the company, and the majority of the members of the audit committee are members of boards of directors and former managers in other companies, or university professors or former prominent politicians who have a scientific background in accounting, economics, finance and business administration. These committees are usually formed in large joint stock companies that are of a nature dealing with a large number of property rights holders". (Ahmed, Mohamed Al-Ramli, 2001, p. 8)

And (Khalil) defined him as "one of the members of the sub-committees of the Board of Directors, which has a sufficient degree of independence, competence and experience that qualifies it to carry out various tasks that reflect

its diverse performance and help achieve communication between the different groups with conflicting interests in the economic unit and support confidence in accounting disclosure in general. and disclosure of references in particular". (Khalil, Mohamed Ahmed Ibrahim, 2006, p. 153)

The Stewart & Munro study, 2007 indicated that the audit committee is "one of the committees emanating from the board of directors, and plays a positive role in improving the audit process, and contributes to reducing the conflict between management and auditors".

### **Third: Internal Audit Characteristics:**

The internal audit is considered one of the important stages in every institution that seeks to raise its position to the highest levels, as the internal audit, if it wants to reach the highest levels, must be characterized by the following characteristics:

1. It must have an independent evaluation activity: that is, the internal auditor should be independent of the activities he audits, and administratively follows the highest levels of the organizational structure of the company or institution, such as the board of directors, the audit committee emanating from it.
2. It must have a consultative activity. The internal audit works to provide the management and board of directors of the company or institution with the analyzes, studies, consultations and suggestions necessary to take the appropriate decisions at the right time.
3. It must have an assurance activity. Based on the results of the risk assessment, as the internal audit activity evaluates the adequacy and effectiveness of the internal audit system tools, as it reassures management that the risks associated with the company's activity are understood.
4. It must enjoy an objective activity, i.e., the internal auditor should perform his work without bias towards parties that may have an interest in the results of the audit process, so that the internal auditor must exercise impartiality and fairness, collect evidence and evaluate the results, as objectivity is considered an essential characteristic of the auditor internal, it allows him to provide both assurance services and advisory activity to the Board of Directors and interested parties. (Lakhdar, Awsif, 2017, p. 19)

### **Fourth: Independence and Objectivity of the Internal Auditor:**

In order for the internal auditor to be independent and objective, the following conditions must be met:

1. The internal auditor must have a higher organizational status and report to the senior management, and be free from any supervisory control, or from any management influence in any field subject to audit.
2. The internal auditor must have the full support of the administration in all sectors, and this includes drawing up a constitution for the internal auditor's job, which guarantees a clear and formal definition of the objectives, powers and responsibilities of the internal auditor's job, the organizational status of the internal auditor, and the scope of the internal auditor's job.
3. The appointment and dismissal of the head of the internal audit department shall be the responsibility of the general manager or the audit committee.
4. The internal auditor must enjoy mental independence, and be able to make judgments and express opinions without bias.
5. The internal auditor must be free from unnecessary influences that could materially affect the scope of their work and the judgments or performance that results from the internal auditor's report.
6. The importance of the independence of the internal auditor is related to the objectivity he enjoys and to avoid conflicts of interest and the organizational status of the internal auditor. (Makhlouf, Ahmed Mohamed, 2007, p. 52)

### **Fifth: Factors Affecting the Independence and Objectivity of the Internal Auditor:**

It is clear that independence and objectivity are among the important elements for the effective activity of the internal auditor in the public sector. Therefore, his independence and objectivity are related to several factors, including:

**1. Appropriate Appointment and Appropriate Place:**

The ability to achieve independence and objectivity of the internal audit activity depends on the appropriate appointment and the organizational position of the internal auditor's activity within the institution, and since the law gives the right to appoint the auditor to the authorities concerned with appointment in the public sector in addition to determining his fees or monthly salary in order to preserve his independence. However, the dominance of the board of directors over the institution has made this right useless and made the independence of the internal auditor subject to doubt.

**2. Isolate the Internal Auditor:**

In many cases, as is the case with the appointment of the internal auditor, the board of directors of the institution (the director of the institution) dominates the decision to dismiss the internal auditor, especially if it is not in line with the desires of management, which may affect the independence and objectivity of the internal auditor in expressing a neutral technical opinion.

**3. Relationship with an Employee:**

It is intended as a direct and indirect financial link. The direct means that the relationship is between the auditor and the management and staff of the institution, such as entering into a joint commercial relationship, or it may be in the form of a promise to obtain a grant or a financial interest for the institution.

**4. Gifts and Donations:**

That the internal auditor or a member of his family receives gifts from working employees, management members, or the director of the institution, and this negatively affects his independence and objectivity, and makes him under the influence of management, which pushes him to achieve their directions in his report, in violation of the principle of independence.

**5. The Length of the Internal Auditor's Association with the Institution:**

It often happens that the internal auditor assumes the task of auditing the accounts of the organization for several times during a multiple period of time, or perhaps for several years, which creates a kind of social relationship between the internal auditor and the management of the organization, which negatively affects the work of the auditor and his independence. (Al-Rashidi, Ahmed Mohamed Ghoneim, 2012, p. 18)

**Sixth: The Main Functions of the Internal Audit Committees:**

The main functions of the internal audit committees, according to what was mentioned in the study conducted by Collier in 1991, on the audit committees in the United Kingdom, which used in his sample more than 250 companies as well as 50 financial institutions, and the study concluded that there is a continuous increase in the number of companies using audit committees, and there is stability in the functions and procedures carried out by these committees, as follows:

1. Studying the effectiveness of the internal audit system.
2. Examining the planning and objectives of the internal audit department.
3. Evaluate the adequacy of the resources allocated to the internal audit.
4. Discussing the negatives that were discovered during the performance of their work by the internal auditors.
5. Ensure the performance and independence of the Internal Audit Department.

**Seventh: Audit Committee Report:**

The report of the Audit Committee, which includes sufficient disclosure of the composition, meetings, responsibilities, powers, activities, and recommendations of the Committee, is considered an acknowledgment that the Committee has carried out its responsibilities appropriately, and although there are no specific rules regarding the form and contents of the Audit Committee report, publishing that report within the annual reports submitted for shareholders, it can contribute to improving the quality and integrity of financial reports, and supports communication channels between the committee and shareholders (Gali).



The researcher believes that the disclosure of the audit committee's report within the companies' financial statements and reports should be mandatory because of its positive effects on users of accounting information, especially achieving confidence and credibility in this information and helping to make the right decisions.

#### **Eighth: Measurement of the Dependent Variable and the Independent Variable as Follows:**

**A: The Dependent Variable (the quality of the internal auditor's reports) is measured through twelve remarkable variables:**

1. The internal audit is conducted in accordance with the audit chapter and the audit manual.
2. Significant findings are communicated in a timely manner by internal audit.
3. Appropriate internal audit recommendations improve the organization process.
4. The follow-up process is carried out by the internal audit to ensure that corrective measures are implemented effectively.
5. The effectiveness and efficiency of business operations and programs are reviewed through internal audit.
6. The reliable financial information and the integrity of the financial reports are reviewed by the internal audit.
7. Compliance with procedures, policies, plans and regulations is reviewed by internal audit.
8. The internal audit evaluates the agreed organizational tasks with the set goals.
9. The internal audit assesses fraud and risks, and how the organization responds and manages fraud risks.
10. The internal audit evaluates and improves the effectiveness of the electronic governance process.
11. The internal audit evaluates and improves the effectiveness of risk management.
12. The internal audit evaluates and improves the effectiveness of the control process.

**B: The Independent Variable (independence) is measured by nine observable variables:**

1. The internal auditor lacks the independence to carry out his professional obligations and duties.
2. The Chief Executive Officer of the internal auditor reports to senior management and the board of directors that the internal auditor has the right to fulfill his responsibilities.
3. The Chief Internal Auditor is not entitled to communicate directly with the Board of Directors.
4. The Internal Audit Department is not entitled to communicate directly with senior management other than the financial manager.
5. There is rarely a conflict of interest in the work of the internal auditors.
6. Management has little interference in the work of the internal auditors.
7. Internal auditors do not have free access to all departments of human resources and the organization.
8. The appointment and replacement of the chief audit executive has been approved by those charged with governance.
9. Internal auditors are not required to perform non-assurance activities.

### **THE FOURTH TOPIC: STUDY HYPOTHESES**

#### **The Main Hypothesis:**

(There is a statistically significant complementary relationship between independence and the quality of the internal auditor's reports).

The following sub-hypotheses emerge from the main hypothesis:

1. "There are no statistically significant differences between the opinions of the study sample about the availability of the conditions for independence of the internal auditor and their role in raising the efficiency of the quality of the internal auditor's reports".
2. "There are no statistically significant differences between the opinions of the study sample about the availability of quality conditions for the internal auditor's reports and their role in raising the efficiency of the service and enhancing its competitiveness".

**Applied Framework:****1 . Field Study Methodology:****1-1 Design of the Questionnaire:**

The questionnaire form was designed in the form of personal questions related to the demographic variables of the study sample, and objective questions that the respondent answers by choosing one of the answers included in the questionnaire form. The questionnaire form consisted of (35) questions. The first part of the questions included demographic data and included (5) questions. The second section included objective data related to the subject of the study, and consisted of (30) questions.

**1-2 Scale Responses:**

The responses were formulated on a five-point Likert scale, as five options were given (completely disagree - disagree - neutral - agree - completely agree), and the scale scores were classified as follows, Table (1):

Category	Completely disagree	Disagree	Neutral	Agree	Completely agree
Degree	1	2	3	4	5

**1-3 Testing the Validity and Reliability of the Questionnaire Lists:**

The validity of the questionnaire scale indicates its suitability for measuring what it was intended to measure. The validity of the questionnaire was confirmed by measuring the validity of the internal consistency, using Pearson's correlation between each paragraph of the questionnaire and the average responses.

*Table (2): The validity of the internal consistency using (Pearson correlation) for the first axis questions related to independence and its role in raising the efficiency of the quality of the internal auditor's reports:*

N	Paragraph	Correlation coefficient	Sig level
1	The internal auditor enjoys independence in carrying out his professional obligations and duties in the organization.	0.596**	0.000
2	The reports of the internal auditor are characterized by the convenience feature.	0.666**	0.000
3	The reports of the internal auditor are characterized by the characteristic of credibility.	0.783**	0.000
4	The Internal Audit Department has the right to communicate directly with senior management other than the financial manager	0.783**	0.000
5	There are no conflicts of interest in the work of the internal auditors.	0.775**	0.000
6	The internal auditor's reports have been disclosed through electronic publication	0.517**	0.000
7	The internal auditor's reports are based on the principle of transparency.	0.701**	0.000
8	The reports of the internal auditor are shared with the concerned authorities	0.454**	0.000
9	The reports of the internal auditor are held accountable if there are any abuses	0.788**	0.000
10	Internal auditors have free access to all departments of human resources and the organization.	0.733**	0.000
11	The internal auditor is required to perform non-assurance activities.	0.757**	0.000
12	There is coordination and cooperation between senior management and the internal auditor by defining the scope of auditing and reviewing the financial statements before and after publication.	0.782**	0.000
13	The internal auditor works to preserve the rights of shareholders by facing the internal and external risks to which the institution is exposed	0.725**	0.000
14	The internal auditor checks and reviews the periodic information that is provided to the different administrative levels and organizes its preparation and timing of its presentation.	0.679**	0.000
15	The members of the internal audit committee do not own a share in the capital of the institution in which the committee is located.	0.543**	0.000

16	The members of the internal audit committee are changed at the end of each specified period to ensure the efficiency and effectiveness of the committee's performance.	0.615**	0.000
17	Formation of review committees with a high degree of efficiency and independence leads to revitalization of the institution's work.	0.670**	0.000
18	Governance principles are applied by the internal auditor, which leads to an increase in the quality of reports	0.729**	0.000

It is noted from Table (2) that all Pearson correlation coefficients between each paragraph of the questionnaire and the average responses to the axis to which it belongs were statistically significant at the level of 0.01 in all paragraphs, and this indicates that there is a high degree of internal consistency for the independence items and their role in raising the efficiency of quality Internal auditor reports.

**Table (3) The validity of the internal consistency using (Pearson Correlation) for the second axis questions related to the quality of the internal auditor's reports and its role in raising the efficiency of the service and enhancing its competitiveness**

N	Paragraph	Correlation coefficient	Sig level
1	The internal audit is conducted in accordance with the internal audit manual	0.811**	0.000
2	Significant findings are communicated in a timely manner by internal audit.	0.726**	0.000
3	Appropriate internal audit recommendations improve the organization process	0.675**	0.000
4	The follow-up process is carried out by the internal audit to ensure that corrective measures are implemented effectively.	0.728**	0.000
5	The effectiveness and efficiency of business operations and programs are reviewed by internal audit.	0.614**	0.000
6	Reliable financial information and integrity of financial reporting are reviewed by internal audit.	0.648**	0.000
7	Compliance with procedures, policies, plans and regulations is reviewed by internal audit.	0.906**	0.000
8	The internal audit evaluates the agreed organizational tasks with the set objectives.	0.919**	0.000
9	Internal audit assesses fraud and risk and how the organization responds to and manages fraud risk.	0.921**	0.000
10	The internal audit evaluates and improves the effectiveness of the electronic governance process.	0.947**	0.000
11	Internal audit evaluates and improves the effectiveness of risk management.	0.933**	0.000
12	Internal audit evaluates and improves the effectiveness of the control process.	0.838**	0.000

It is noted from Table (3) that all Pearson correlation coefficients between each paragraph of the questionnaire and the average responses to the axis to which it belongs were statistically significant at the level of 0.01 in all paragraphs. Raising service efficiency and enhancing its competitiveness.

The stability of the scale was tested for the questionnaire using Cronbach Alpha coefficient, which is useful in verifying the degree of reliability of the scale used, using the statistical program (SPSS, V.24).

**Table (4) Cronbach's alpha stability coefficient for the axes of the questionnaire**

Axis	Title	Number of paragraphs	Cronbach's alpha coefficient
First	Independence of internal auditor reports	18	0.944
Second	Quality of internal auditor reports	12	0.958
The sentence of the questionnaire		30	0.950

It is clear from Table (4) that Cronbach's alpha coefficient for the questionnaire, which consisted of 30 items, was 0.950, which indicates a high degree of stability of the questionnaire items.

**1-4 Determine the Study Sample:**

The random sampling method was used to determine the study population sample of workers in Iraqi banks through an electronic questionnaire distributed via the Internet, where 100 questionnaires were sent, 97 questionnaires were retrieved, and no response was received from three questionnaires, and then the response rate reached 97%.

**1-5 Number of the Statistical Tools Used:**

A number of statistical tools were used to analyze the field questionnaire using the SPSS statistical analysis program, V.24, namely:

- Percentage: to measure the frequency of responses to each paragraph of the questionnaire.
- Arithmetic mean: to measure the average responses to each paragraph of the questionnaire.
- Standard deviation: to measure the extent of dispersion or homogeneity of the study sample's responses to each of the paragraphs of the questionnaire.
- Cronbach's alpha coefficient: to measure the stability level of the questionnaire items.
- Pearson correlations: to measure the level of internal validity of the questionnaire items, and to test the validity of the main hypothesis of the study.
- One Sample T test: To test the validity of the first and second sub-hypothesis.

**2- Statistical Analysis of the Questionnaire Items:****2-1 Demographic Data:**

*Table (5) Statistical analysis of the study sample responses to demographic data:*

Variable	Response	Repetition	Percentage	Mean
Type	Male	87	89.7	1.10
	female	10	10.3	
Age group	Less than 30 years old	4	4.1	2.32
	From 30 years to less than 40 years	69	71.1	
	From 40 years to less than 50 years	12	12.4	
	50 years and older	12	12.4	
Educational Qualification	Diploma	0	0	2.14
	Bachelor's	85	87.6	
	Master's	10	10.3	
	Ph.D	2	2.1	
Years of Experience	Less than 5 years	8	8.2	3.32
	From 5 to less than 10 years	49	50.5	
	More than 10 years	40	41.2	
Functional management	Human Resource Management	4	4.1	1.95
	Account management	93	95.9	
	Engineering design management	0	0	
	Education Administration	0	0	

Table (5) shows the demographic characteristics of the study sample, where the number of males reached 87 individuals with a rate of 89.7%, the number of females reached 10 individuals with a rate of 10.3%, and the arithmetic mean was 1.10. 2.32, and with regard to the academic qualification, the majority of workers hold a bachelor's degree, with a number of 85 individuals, at a rate of 87.6%, and the arithmetic mean was 2.14. In terms of the number of years of experience, the predominant category is from 5 to less than 10 years, with a number of 49 individuals, at a rate of 50.5%, with an arithmetic mean of 3.32.

**2-2 Objective Data:****The First Axis - Independence and its Role in Raising the Efficiency of the Quality of the Internal Auditor's Reports***Table (6) Descriptive Statistics of the study sample's responses about independence and its role in raising the efficiency of the quality of the internal auditor's reports.*

Phrase		Completely disagree	Disagree	Neutral	Agree	Completely agree	Mean	Std. Deviation
The internal auditor enjoys independence in carrying out his professional obligations and duties in the organization.	Repet	0	16	16	49	16	3.67	0.94
	%	0	16.5	16.5	50.5	16.5		
The reports of the internal auditor are characterized by the convenience feature.	Repet	4	14	24	43	12	3.46	1.02
	%	4.1	14.4	24.7	44.3	12.4		
The reports of the internal auditor are characterized by the characteristic of credibility.	Repet	10	10	34	35	8	3.21	1.08
	%	10.3	10.3	35.1	36.1	8.2		
The Internal Audit Department has the right to communicate directly with senior management other than the financial manager	Repet	4	32	18	39	4	3.07	1.03
	%	4.1	33.0	18.6	40.2	4.1		
There are no conflicts of interest in the work of the internal auditors.	Repet	6	32	16	39	4	3.03	1.07
	%	6.2	33.0	16.5	40.2	4.1		
The internal auditor's reports have been disclosed through electronic publication	Repet	2	22	14	51	8	3.42	0.99
	%	2.1	22.7	14.4	52.6	8.2		
The internal auditor's reports are based on the principle of transparency.	Repet	12	18	22	41	4	3.07	1.12
	%	12.4	18.6	22.7	42.3	4.1		
The reports of the internal auditor are shared with the concerned authorities	Repet	0	10	14	52	21	3.86	0.87
	%	0	10.3	14.4	53.6	21.6		
The reports of the internal auditor are held accountable if there are any abuses	Repet	6	16	36	33	6	3.17	0.98
	%	6.2	16.5	37.1	34.0	6.2		
Internal auditors have free access to all departments of human resources and the organization.	Repet	4	18	22	49	4	3.31	0.96
	%	4.1	18.6	22.7	50.5	4.1		
The internal auditor is required to perform non-assurance activities.	Repet	20	16	22	33	6	2.88	1.25
	%	20.6	16.5	22.7	34.0	6.2		
There is coordination and cooperation between senior management and the internal auditor by defining the scope of auditing and reviewing the financial statements before and after publication.	Repet	8	32	20	31	6	2.94	1.11
	%	8.2	33.0	20.6	32.0	6.2		
The internal auditor works to preserve the rights of shareholders by facing the internal and external risks to which the institution is exposed	Repet	8	6	30	49	4	3.36	0.97
	%	8.2	6.2	30.9	50.5	4.1		
The internal auditor checks and reviews the periodic information that is provided to the different administrative levels and organizes its preparation and timing of its presentation.	Repet	6	8	36	41	6	3.34	0.94
	%	6.2	8.2	37.1	42.3	6.2		

The members of the internal audit committee do not own a share in the capital of the institution in which the committee is located.	Repet	2	4	32	53	6	3.58	0.76
	%	2.1	4.1	33.0	54.6	6.2		
The members of the internal audit committee are changed at the end of each specified period to ensure the efficiency and effectiveness of the committee's performance.	Repet	4	14	36	39	4	3.25	0.90
	%	4.1	14.4	37.1	40.2	4.1		
Formation of review committees with a high degree of efficiency and independence leads to revitalization of the institution's work.	Repet	2	8	34	47	6	3.48	0.81
	%	2.1	8.2	35.1	48.5	6.2		
Governance principles are applied by the internal auditor, which leads to an increase in the quality of reports	Repet	2	12	28	49	6	3.46	0.86
	%	2.1	12.4	28.9	50.5	6.2		

Table (6) shows independence and its role in raising the efficiency of the quality of the internal auditor's reports, as a number of paragraphs respond "agreed" (the arithmetic mean is between 3.4-4.2), which are:

- The reports of the internal auditor are shared with the concerned authorities (with an arithmetic average of 3.86).
- The internal auditor enjoys independence in carrying out his professional obligations and duties in the organization (with an arithmetic mean of 3.67).
- The members of the internal audit committee do not own a share in the capital of the institution in which the committee is located (with an arithmetic average of 3.58).
- Forming audit committees with a high degree of efficiency and independence that leads to revitalizing the work of the institution (with an arithmetic mean of 3.48).
- The reports of the internal auditor are characterized by the characteristic of relevance (with an arithmetic mean of 3.46).
- The principles of governance are applied by the internal auditor, which leads to raising the efficiency of the quality of reports (with an arithmetic mean of 3.46).
- The internal auditor's reports were disclosed through electronic publication (with an arithmetic mean of 3.42).

### The Second Axis - the Quality of the internal auditor's reports and its role in raising the efficiency of the service and enhancing its competitiveness

*Table (7) Descriptive statistics of the study sample's responses about the quality of the internal auditor's reports and their role in raising the efficiency of the service and enhancing its competitiveness*

Phrase		Completely disagree	Disagree	Neutral	Agree	Completely agree	Mean	Std. Deviation
The internal audit is conducted in accordance with the internal audit manual	Repet	4	14	18	53	8	3.48	0.98
	%	4.1	14.4	18.6	54.6	8.2		
Significant findings are communicated in a timely manner by internal audit.	Repet	6	16	36	33	6	3.17	0.98
	%	6.2	16.5	37.1	34.0	6.2		
Appropriate internal audit recommendations improve the organization process	Repet	10	16	28	35	8	3.15	1.12
	%	10.3	16.5	28.9	36.1	8.2		
The follow-up process is carried out by the internal audit to ensure that corrective measures are implemented effectively.	Repet	0	10	32	47	8	3.54	0.79
	%	0	10.3	33.0	48.5	8.2		

The effectiveness and efficiency of business operations and programs are reviewed by internal audit.	Repet	2	6	32	51	6	3.54	0.79
	%	2.1	6.2	33.0	52.6	6.2		
Reliable financial information and integrity of financial reporting are reviewed by internal audit.	Repet	10	26	26	31	4	2.92	1.08
	%	10.3	26.8	26.8	32.0	4.1		
Compliance with procedures, policies, plans and regulations is reviewed by internal audit.	Repet	10	6	20	51	10	3.46	1.09
	%	10.3	6.2	20.6	52.6	10.3		
The internal audit evaluates the agreed organizational tasks with the set objectives.	Repet	6	10	42	35	4	2.31	0.91
	%	6.2	10.3	43.3	36.1	4.1		
Internal audit assesses fraud and risk and how the organization responds to and manages fraud risk.	Repet	6	20	36	31	4	3.07	0.97
	%	6.2	20.6	37.1	32.0	4.1		
The internal audit evaluates and improves the effectiveness of the electronic governance process.	Repet	0	8	46	22	21	3.57	0.92
	%	0	8.2	47.4	22.7	21.6		
Internal audit evaluates and improves the effectiveness of risk management.	Repet	2	16	38	33	8	3.29	0.91
	%	2.1	16.5	39.2	34.0	8.2		
Internal audit evaluates and improves the effectiveness of the control process.	Repet	0	8	24	49	16	3.75	0.82
	%	0	8.2	24.7	50.5	16.5		

Table (7) shows the quality of the internal auditor's reports and their role in raising the efficiency of the service and enhancing its competitiveness, as a number of paragraphs respond "agreed" (the mean is between 3.4-4.2), which are the paragraphs:

- The internal audit evaluates and improves the effectiveness of the control process (with an arithmetic average of 3.75).
- The internal audit evaluates and improves the effectiveness of the electronic governance process (with a mean of 3.57).
- The follow-up process is carried out by the internal audit to ensure that corrective measures are implemented effectively (with a mean of 3.54).
- The effectiveness and efficiency of commercial operations and programs are reviewed through internal auditing (with a mean of 3.54).
- The internal audit is conducted according to the internal audit manual (with a mean of 3.48).
- Compliance with procedures, policies, plans and regulations is reviewed by internal audit (with a mean of 3.46).

### 3- Testing the Validity of the Hypotheses

#### 3-1 Main Hypotheses:

The validity of the main hypothesis of the study was tested using Pearson correlation using the SPSS program, V.24 as follows:

**Table (8) Pearson correlation coefficient between job quality and job satisfaction**

Dimension	Independence	Reporting quality
Independence	1.00	**0.839
Reporting quality		1.00

It appears from Table (8) that there are strong direct correlations between independence and its relationship to the quality of the internal auditor's reports and its role in raising the efficiency of the service and enhancing its competitiveness, as the correlation reached a value of 0.839, and it was statistically significant at the significance level



(0.01), which indicates the acceptance of the hypothesis. The alternative is that there is a statistically significant complementary relationship between the independence and the quality of the internal auditor's reports.

### 3-2 The First Sub-Hypothesis

The validity of the first sub-hypothesis was tested using the (t-test) for one sample at a significant level (0.05) using the SPSS program, V.24 as follows:

*Table (9) t test for the first sub-hypothesis:*

Mean	Std. Deviation	Standard error	T test	Difference between the two means		Sig type
				Minimum	Highest	
3.31	0.681	0.069	47.899	3.18	3.45	0.000

It is clear from Table (9) that the probability of significance p is smaller than the level of significance (0.05), and then the alternative hypothesis is accepted that there are statistically significant differences between the opinions of the study sample about the availability of independence conditions for the internal auditor and its role in raising the efficiency of the quality of the internal auditor's reports

### 3-2 The Second Sub-Hypothesis:

The validity of the second sub-hypothesis was tested using a one-sample t-test at a significant level (0.05) using the SPSS program, V.24 as follows:

*Table (10) t-test for the second sub-hypothesis:*

Mean	Std. Deviation	Standard error	T test	Difference between the two means		Sig type
				Minimum	Highest	
3.35	0.679	0.069	48.646	3.21	3.49	0.000

It is clear from Table (10) that the significance probability p is smaller than the significant level (0.05), and then the alternative hypothesis is accepted that there are statistically significant differences between the opinions of the study sample about the availability of quality conditions for the internal auditor's reports and their role in raising the efficiency of the service and enhancing its competitiveness.

## RESULTS AND RECOMMENDATIONS

The study found:

1. The independence is an important factor for the internal auditor.
2. The internal auditor who does not enjoy independence cannot prepare financial reports that help the administration in making successful decisions.
3. The independence of the internal auditor can have an impact on the quality of the financial reports.
4. Disclosure, transparency and participation can have an important role in the work of the internal auditor and thus may affect the quality of the financial reports prepared by him.

### The Study Recommended:

1. The need to involve specialists in the field of internal auditing in special courses and workshops in their field of work.
2. The need for internal auditors to benefit from previous studies in preparing reports.
3. Reliance on competencies and holders of higher degrees from specialists in the field of auditing to prepare financial reports.
4. The need to adopt disclosure and transparency by the internal auditors in the preparation of financial reports.



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