

Internal audit practices consistency with international internal auditing standards for entities with government contributions

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Abstract. The study aims to investigate the consistency of internal auditing practices with international internal auditing standards for Jordanian companies with government contributions. The study employs both qualitative and quantitative research methods in addressing the problem of the study. To achieve the study objective, the researchers distributed a questionnaire to (460) employees of (115) Jordanian companies with government contribution, (434), (90) percent of the questionnaires were returned. On order to analyze the data, the researchers used the Mean, Standard Deviation, Percentages, and T-test. The general findings of the study revealed that Jordanian companies with government contributions apply internal auditing practices that are enacted by government agencies but unfortunately these practices are not fully consistent with international internal auditing standards. the results showed weak commitment from sampled companies to such necessary standards. In the light of the finding, the researchers gave a number of recommendations that are necessary to achieve sufficient and effective internal auditing standards. the originality of this study is steamed from addressing the importance of adopting internal auditing standards for performance and their role in increasing the control over organizations activities.

Keywords: internal audit, internal audit standards, owned companies and government contributions.

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1. Introduction

Internal auditing is an important activity for any organization; It represents one of the important functions that provide management with permanent, objective, neutral evaluation and reports for various activities in organization. Internal auditing departments usually control the conduct of various operations and activities within the organization. As well as mitigate the high risk associated with the activities of business organizations, in addition to their advisory role that helps organizations to improve their operations. Many argued that internal audit has become a crucial function within organizations; however, insufficient attention has been given to study the internal audit compared to external audit. This view is supported by Gendron and Bedard (2006) who noted that academic researchers have tended to focus on external audit as a main control function mandatory while ignoring internal audit. Internal audit effectiveness has not been extensively studied yet, and several researchers have recommended the need for more research on the internal audit effectiveness especially in developing countries (Al-Twaijry et al., 2003; Mihret and Yismaw, 2007; Arena and Azzone, 2007; Yee et al., 2008; Ahmad et al., 2009), where the internal auditing might play an important role against both the fraud and corruption.

Companies are continuously demanded to protect and guarantee the rights of shareholders and all interested parties associated with the company's business through control the performance of management. Therefore, this requires the availability of internal auditing elements that support and promote the implementation of organization strategy according to predetermined plans. Unfortunately, when organization conduct their operations they lack of the commitment culture to comply with auditing standards; this in-compliance can be attributed to the weak interest in internal regulations, instructions and controls, even though they claim the compliance with such standards.

Internal auditing is applied in different environments with different objectives, sizes and regulations; this mixed environment follows a variety of local laws and regulations that differ in practice from original internal auditing standards. This contradictory environment affects the productivity and nature of the internal auditor's work. Therefore, in order to achieve effective internal auditing activities of organizations must be harmonized with the applied practices of internal auditing and with the internal auditing standards, Thus if organizations adopted real auditing standards internal auditor's reports appears to be more reliable and effective.

The growing attention for the adoption of internal auditing standards and their role in accounting have always attracted and motivated researchers into investigate the degree of company's commitment to such standards from different aspects such as legislation and internal auditing applications; hence, due to this increased attention for internal auditing issues and their role in organizations success raised the need to investigate whether such organizations are complying with international internal auditing standards and whether the local enacted

laws and regulations concerning internal auditing are consistent with right performance auditing standards or not. Therefore, the originality of this study is steamed from addressing the importance of adopting internal auditing standards for performance and their role in increasing the control over organizations activities.

However, the rest of our study is constructed as follows: the literature review and hypotheses development (Section 2); methodology of the study (Section 3). In section 4 the data and analysis of the, results and finally the conclusion and recommendations of the study are addressed in Section 5.

2. Literature review and hypotheses development

Internal auditing in any economic unit gained a great importance for effective procedures and controls that provides the road map to carry out activity within the unit. There is no doubt that the general objective of the internal control system is to protect and assets the performance of institutions in addition to ensuring the accuracy of the accounting data, achieve maximum productivity, and moreover to ensure adherence of staff policies and plans of management. Thus, it is clear that the system of internal control is not limited to monitoring the financial and accounting aspects only, but also deals with the institution as a big unit. Internal auditing is also regarded as one of the essential components for internal control system and works as an independent internal function of individuals and systems within the organization that serve the administration by ensuring efficient and effective operations to achieve the objectives of the regulatory system as defined by the administration.

2.1 The concept of internal audit

Historically the audit concept has been limited to a narrow scope in detection of errors, fraud and manipulation in financial operations; but recently this concept become broader with a wider mean in delivering the results of organization and staff commitment to procedures and standards of effective work. Furthermore, internal audit is regarded as effective continuous financial control system aims to detect errors and fraud, and broader as a comprehensive qualitative and consultative system that controls and improve performance.

The Institute of Internal Auditors (IIA) (2004) has stated that “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations, Thus it helps organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”. Sawyer (2003) stated that internal auditing is “a systematic, objective appraisal by internal auditors of the diverse operations and controls within an organization to determine whether (1) financial and operating information is accurate and reliable, (2) risks to the enterprise are identified and

minimized, (3) external regulations and acceptable internal policies and procedures are followed, (4) satisfactory operating criteria are met, (5) resources are used efficiently and economically and (6) the organization's objectives are effectively achieved for the purpose of consulting with management and for assisting members of the organization in the effective discharge of their governance responsibilities".

2.2 The need for internal auditing by government agencies

Government agencies need accurate data on the various operating units within the country, such data is used in economic planning, government control, pricing, scientific competencies, for this reasons, government agencies seek accurate, periodic data to follow up the activity of these units and their effect on the national economy. Government owned organizations highly contribute in executing governmental development plans and helps in carrying a fair share of society's burdens in form of taxes, absorbing a measure of employment; these contributions is something that cannot be achieved unless there is a strong and effective internal control system.

A company's accounting control practices (such as internal auditing) is widely believed to be crucial to the success of an enterprise as it acts as a powerful brake on the possible deviations from the predetermined objectives and policies. This means that an organization that put in place an appropriate and adequate system of accounting controls is likely to perform better (in financial terms) than those that do not. As Okezie (2004) puts it, "an enterprise's internal audit function can significantly affect the operations of the enterprise and may have an impact on the ability of the entity to remain a going-concern. Conrad (2003) had portrayed Enron's demise as the consequence of a "few unethical "rogues" or "bad eggs" acting in the absence of any control". Thus inadequate control systems may negatively affect an organization's success. According to Hermanson and Rittenberg (2003) the existence of an effective internal audit function is associated with superior organizational performance.

2.3 International standards for the professional practice of internal auditing and their objectives

The Internal audit function is conducted in diverse legal and cultural environments; within organizations that vary in purpose, size, complexity, and structure; and by persons within or outside the organization. While differences may affect the practice of internal auditing in each environment, conformance with The IIA's International Standards for the Professional Practice of Internal Auditing (Standards) is essential in meeting the responsibilities of internal auditors and the internal audit activity. If internal auditors or the internal audit activity is prohibited by law or regulation from conformance with certain parts of the Standards, conformance with all other parts of the Standards and appropriate disclosures are needed (IIA, 2012).

It had been agreed upon that Internal Audit department must apply a complete set of internal audit standards issued by the Institute of Internal Auditors. The (IIA) defines the Standard as “an official declaration of internal audit standards that defines the requirements for performing a wide range of internal audit activities and evaluating Internal Audit Performance” (IIA, 1957). So in order for the internal audit to fully perform its functions, all employees of the establishment must assist them and cooperate fully with them, and give priority to answering their requests without restriction, in order to benefit from the internal audit of the establishment in achievement of internal audit standards is aimed to achieve the following objectives: 1. Direct compliance with the mandatory elements of the international professional framework for internal audit practice 2. Provide a reference frame to perform and promote a wide range of value-added internal auditing services. 3. Lay the basis for evaluating internal audit performance. 4. Enhance the improvement of the operations and work of the institution.

The Institute of Internal Auditors (IIA) issues the International Professional Practices Framework (IPPF). The professional practice framework contains the basic principles of conducting profession. The IPPF consists of three sets of standards, all of which are mandatory: A. Attribute standards, B. Performance Standards (Kontogeorgis and Filos, 2012).

The structure of the Standards is divided between Attribute and Performance Standards. Attribute Standards address the attributes of organizations and individuals performing internal auditing. The Performance Standards describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured. The Attribute and Performance Standards are also provided to apply to all internal audit services. Table (1) represents the Institute of Internal Auditors the criteria for internal auditing standards and the Jordanian internal auditing articles that enacted as a substitute of performance standards.

Table 1: Internal Auditing Standards

Attr. St		Performance. St		Jor. artic
label	N	label	N	
Purpose, power, resp	1000	Manage internal audit	2000	Art 3, 4, 5
Indep,objectivity	1100	work nature	2100	Art 8, 10
Skill, care of crisis	1200	Planning	2200	Art 6, 9
Programming,quality	2300	Perform functions	2300	Art 8
		Report results	2400	Art 9
		Review the results	2500	Art 8, 11
		Resolve and accept risk	2600	Art 8

According to The Institute of Internal Auditors (IIA) entities are required to comply with these two sets of criteria; but if compliance for some conditions is restricted to certain parts of the standards due to enforced local laws or regulations, the internal auditors or the activity of internal audit must comply with other parts of the standards with appropriate disclosures. Moreover, if the criteria are used in conjunction with requirements issued by other official bodies, the internal audit may indicate the use of these requirements in their communications. Also if internal audit activity refers to compliance with "standards" and there is a discrepancy between "criteria" and other requirements, internal auditors and the activity of internal audit must adhere to "standards" and can comply with other requirements if they are more restrictive.

2.4 Theoretical background

Until recently many nations did not have national requirements for internal audit function in public sector organizations. This is not just the case of developing nations but some developed nations did not have internal audit requirements, for example as of 2004, New Zealand had no requirement for internal audit for public sector organizations and Australia had less clear cut requirements (Goodwin, 2004). Though the audit function has always been seen as playing a key role in government financial management, the emphasis has mostly been placed on external audit and not internal audit. However, the interest for internal audit in public sector organizations has been on the ascendancy in responds to calls from users of public goods and donor agencies for improved accountability, transparency and increased consumer choice (Goodwin, 2004; Diamond, 2002).

In accordance with the needs of the IIA as the professional body that takes care of internal auditing, several studies have conducted to investigate the benefits of internal auditing, effect on performance, efficiency of organizations, factors effect internal audit. Selim et al. (2009) conducted a comparative study of factors affected internal audit consulting activities carried out by a sample of The Institute of Internal Auditors members in the UK/Ireland and Italy. The results of study show that a noteworthy growth in consulting activities carried out in Italian companies, and internal auditors are experiencing both benefits and drawbacks in both countries. Furthermore, he stated that the consulting part of internal auditors is voluntary rather than mandatory for them to create value added for the benefits of the company to which they are committed. In attempt to study and investigate the organizational and drivers of internal audit effectiveness, Arena and Azzon (2009) surveyed 153 Italian companies. Their study revealed that there are many issues and factors influenced internal audit effectiveness such as the characteristics of the internal audit team, the Audit process and activities and the organizational link.

In the same vine, Anderson et al. (2012) investigated the internal audit function. They stated that the internal audit function is influenced by many factors audit committee governance, experience of the chief audit executive, the

use of audit technologies, organization size. Moreover, the percentage of internal audit staff that are certificated internal auditor and the extent of assurance and compliance activities outsourced to an outsider play a vital role in the process of decreases the amount of work performed by the internal auditors and is an indicator of performance. Okezie (2004) assured that the main objective of internal auditing is “to assist management in the effective discharge of their responsibilities by furnishing them with analysis, appraisal, recommendations and pertinent comments concerning the activities reviewed”.

Internal auditing which is often seen as constituting a large and significant aspect of an organization’s financial control system is a vehicle to success and survival. According to Rittenberg and Schwieger (1997). “Internal auditing is taking on increased importance in many of today’s global organizations by assisting management in evaluating controls and operations and thereby providing an Important element of global control”. Venables and Impey (1991) also recognized the control role of internal auditing when they stated: It is generally recognized that the proper organization, staffing and methodology of internal audit presents the board with the best means of focusing on its obligation to ensure proper controls in the business. However, the need for an internal audit function will vary depending on company specific factors including the scale, diversity and complexity of the company’s activities and the number of employees as well as cost-benefit considerations (ICAEW, 1999). Moreover, Venables and Impey (1991) had argued that for an internal audit function to be effective; organizations must realize its full benefits, clearly define objectives, authority, independence and appropriate resources.

At the empirical level, a survey conducted by KPMG (1999) found that the internal audit function in organizations where it exists, contributes substantially to performance improvement and assist in identifying profit evidence in corporate disasters, particularly financial fraud consistently documents an association between weak governance (e.g. less independent boards or the absence of an internal audit function) and the incidence of problems (e.g Dechow, et al 1996; Beasley , 1996, Beasley et al 2000; Abott et al. 2000). Thus, internal audit by acting as a watchdog could save the organization from malpractices and irregularities thus enabling the organization to achieve its objectives of ensuring high level of productivity and profit.

Organizations with government contributions are regarded as entities created by government and government play the role of shareholders; thus holding these shares in trust for the general taxpaying public. Although, it is true that these organizations may be evaluated in the same way like their private counterparts (Mazzolini, 1979); it is equally important to remember that these organizations were established also to promote government’s socioeconomic policies. Viewing it from this dimension, some scholars (for example, Lal, 1980) have argued that the evaluation of government investment should employ social and cost benefit analysis.

In a global study about the role of internal auditing, the report of IIA's Supplemental Guidance in 2012 for the role of auditing in public sector governance, this document defined the following nine elements as essential for an effective public sector audit activity: 1) Organizational independence; 2) a formal mandate; 3) unrestricted access; 4) sufficient funding; 5) competent leadership; 6) objective staff ;7) competent staff; 8) stakeholder support and 9) professional audit standards. These nine elements were compared to findings from The IIA's 2010 Global Internal Audit Survey, which included responses from 2,824 public sector practitioners from 107 countries (out of a total of 13,500 individual respondents). The IIA Research Foundation (IIARF) conducts this global survey every five years as one of the projects for The IIA's Global Internal Audit Common Body of Knowledge (CBOK), Highlights from the findings include: 1- More than two-thirds of public sector respondents indicated that internal auditing was required by law or regulation in the jurisdictions in which their organizations were based. Internal auditing was required by law or regulation the most in the Europe-Central Asia region, and the least in the United States and Canada, followed closely by the Middle East and the Asia Pacific regions. 2- About a fifth of public sector respondents indicated that they had been subject to coercion to change a rating or assessment or withdraw a finding in an internal audit report. Internal auditor respondents from Africa indicated that they had experienced coercion the most, while respondents from the United States and Canada indicated that they had experienced it the least. 3- About half the public sector chief audit executive (CAE) respondents indicated that an audit committee or equivalent was established in their organizations, but only a quarter of them indicated that the audit committee was involved in their appointments. 4- About 40 percent of the CAE respondents indicated that they had more than six years' senior experience as a CAE or equivalent. CAE respondents from Latin America and the Caribbean had the most senior experience (60) percent. By contrast, CAE respondents from Europe-Central Asia had the least senior experience (25) percent. Public sector internal auditors and their stakeholders can use the results of this study to compare the conditions in their organizations to other public sector organizations in their region and around the world. This information can then be used to target the most beneficial areas for improvement.

Similar to this study Kasim and Hanafi in (2012) investigated the availability of construct a valid and reliable instrument to quantitatively measure the level of conformance by internal auditors towards the International Professional Practice Framework (IPPF). Their study involved the distribution of the new instrument to 400 internal auditors, auditors, accountants and account executives in Kuala Lumpur, Malaysia. The study concludes that most of the existing instruments measuring internal audit quality suffer major weaknesses that limit its value. The development process of the new instrument was clearly highlighted in the methodology section. A new approach of measurement was used as a solution to existing instruments. The results indicated that the new instrument satisfies the

criteria for a valid and reliable research instrument and conform to the existing framework suggested by the Institute of Internal Auditors (IIA). The instrument could serve as additional assessment tools for audit committee in assessing the quality of internal audit functions in line with the new Bursa Malaysia Listing Requirements.

In Jordan Alhawatmeh Study (2018) clarified the possibility of applying the basic principles of financial control in accordance with the requirements of ISSAI 200 of the international standards of the Supreme Audit Institutions (INTOSAI) and its impact on the internal control in the public sector in addition to identifying the obstacles that limit the application of the basic principles of financial control according to the requirements of the standard ISSAI 200 of the International Standards of the Supreme Audit Institutions (INTOSAI). The study results showed that the application of the basic principles of financial control in accordance with the requirements of ISSAI 200 of the international standards of the Supreme Audit Institutions (INTOSAI) and its impact on internal control in the public sector in general was high; these results were attributed to the commitment of such organizations to laws, internal control regulations, financial and accounting regulations prescribed for the financial control operations. The results also showed that the commitment of internal control units in the government sector regulatory standards, field standards, reporting standards of the international organization of Supreme Audit controls and accountability (Alhawatmeh, 2016).

In Jordan internal audit standards of (IIA) are not applied, instead Jordanian organizations apply local enacted articles concerning internal auditing. According to these articles the Jordanian government represented by the ministry of finance obligates all government units (owned or independent units) to establish an internal audit unit its main function is to provide government with annual reports in accordance with specific models or specific internal audit instructions, and often these reports are not fully consistent with the requirements of international internal audit standards. The establishment of internal audit unit is clearly stated in the articles as appear in the statement of Article (7) that The internal control criteria and the conditions to be met for those holding the position of head of the internal control unit shall be determined by instructions issued by the Council of Ministers upon the recommendation of the Minister. based on the recommendation of the Central Committee for Internal Control Standards. Also this appears in Article (12) that internal audit units perform their work based on the internal regulations of the institutions.

The Jordanian economy composed of two primary sectors the first one is completely owned and managed by the government the second one is private owned and managed by public. In the second sector the Jordan Government has also considered in many publically traded companies as main shareholders regardless of the percentage of contribution Many of these companies' actions are governed by government laws and regulations such as the internal audit regulations. These companies are obligated to comply with internal audit work

according to its internal audit articles issued by Ministry of Industry and Trade, and approved by the Ministry of Labor. These articles provided guidelines how to manage internal audit activity concerning performance similar to international internal auditing standards, but the question here is whether these articles of internal audit practices has succeeded in action as a substitute of international standards or not. Based on previous discussion our main hypothesis is:

H1: There is no consistency between the practice of internal auditing in Jordan and international internal auditing standards (performance criteria).

Our main hypothesis will be subdivided into seven sub-hypotheses to examine the consistency between the seven international internal auditing standards for performance with their opposite practiced articles issued in Jordan, hence our first sub-hypothesis is:

H1-1: There is no consistency between internal auditing practices in Jordan and International Internal Auditing Standard 2000 (Manage internal audit activity).

Some researcher in their investigation such as Wood and Wilson (1989) has tested the impact of stress on performance of audit work. The researchers concluded those internal auditors who perform as well as other not experiencing such stress. The researcher noticed that measuring the performance of internal audit function is a quite complex and difficult task for practical implementation. Planning for audit work is also regarded as essential part for success of internal auditing and in order to do it successfully, Wynne (1999) suggests that organizations must consider following three objectives into account when doing the audit planning process assurance, risk management, and external audit reliability. The IIAs 2100 of internal audit activity assured the evaluation, improve of governance, risk management, and control processes using a systematic and disciplined approach (IIA, 2012). Similarly, Agencies in Jordan carrying out internal control system and internal audit of financial, administrative and technical transactions assured the same purpose with their regulations and the instructions. The Internal audit systems for these Jordanian companies are built according to the nature of the company's work and usually according to the financial system of companies. The internal audit department/ section in such companies are found either through the company's bylaws or through the financial system or the administrative system. For example, Article (2) of internal control system 2011 defined Internal Audit as: independent objective activity that achieves the quality of the department or the government unit in its operations and enables it to achieve its objectives by adopting a systematic approach to evaluate effectiveness, risk management processes and their development in accordance with corporate governance (JICS, 2011). Thus our second sub-hypothesis is:

H1-2: There is no consistency between internal auditing practices in Jordan and International Internal Auditing Standard 2100 (work nature).

According to the statement of IIAs 2200 internal auditors must develop and document a plan for each engagement, including the engagement's objectives,

scope, timing, and resource allocations. Likewise, The Jordanian internal auditing system regulations that enacted by the government in 2011; articles 6 and 9 assured for the internal control and auditing unit responsibilities such as; drawing up and updating the general policy related to internal control, preparation of the internal control procedures manual, Prepare an annual plan for financial audit and submit it to the competent minister or the Council for approval before the end of November of each year prepare the financial audit procedures manual and submit them to the Minister for approval, integrity of financial and administrative transactions, budgets and financial statements, verifies compliance with the applicable laws and regulations, ensures the expenditure on the various items of the fund's budget and the use of resources has been in accordance with the objectives and policies. In general, the overall internal audit unit purposes are monitoring, evaluation and accountability (JICS, 2011). The third hypothesis related to planning internal audit functions is that:

H1-3: There is no consistency between internal auditing practices in Jordan and International Internal Auditing Standard 2200 (Planning internal audit functions).

The work of internal auditors requires sufficient, reliable, relevant, and useful information to achieve the engagement's objectives, therefore, IIAs 2300 assured that internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's purposes. Similarly, in Jordan article 8 and 9 of JICS assured also that a monthly report, whenever necessary, on internal control, achievements and observations, including observations not addressed to the competent minister or the council; and submit a similar annual report to the Minister during the first four months of the following year; prepare the financial audit procedures manual and submit them to the minister for approval. Furthermore, articles assure the exercise of administrative control and technical control and ensure that the department and the government unit achieve the objectives and general policies of the department and the government unit through reviewing the decisions administrative issues. In article 12 the internal audit unit work plan should consist of the strategic objective of the company, the strategic objective of the directorate, the annual objective (SMART Objective), performance index, measurement equation, program / project, sample worksheet checker, working papers worksheet / task execution model, warehouse inventory model, and the record of the advances examination through a set of other models, which represent the working mechanism of the internal audit unit. Based on prior comparison our fourth sub-hypothesis is:

H1-4: There is no consistency between internal auditing practices in Jordan and international internal auditing standard 2300 (Perform internal audit functions). As internal auditors must communicate the results of engagements to proper users, the communication must include the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans (IIAs, 2012). The final communication of engagement results must, where appropriate, contain the internal auditors' opinion and/or conclusions. On the

other side; internal auditing practices in Jordan covered this standard requirement through article 9 for internal auditing; the article assured that organization must prepare an annual plan for financial audit and submit it to the competent minister or the Council for approval, before the end of November of each year, further a monthly report must be submitted, whenever necessary, on internal control, achievements and observations, including observations not addressed to the competent minister or the Council; and submit a similar annual report to the minister during the first four months of the following year. Consistency with Standard 2400 on internal auditing will be examined by the following sub-hypothesis:

H1-5: There is no consistency between internal auditing practices in Jordan and international internal auditing standard 2400 (Report the results).

Monitoring the progress of internal audit procedures is a vital step in completing the efficient, complete internal control. International auditing standard 2500 obligated the chief audit executive to establish and maintain a system to monitor the disposition of results communicated to management. That means the chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action (IIAS, 2012). Concerning this, the Jordanian regulation through article 8 similarly obligated departments to exercise administrative control and technical control and ensure that the department and the government unit achieve the objectives and general policies of the department; so our sixth sub-hypothesis to ensure the consistency of Jordanian practices with standard 2500 is:

H1-6: There is no consistency between internal auditing practices in Jordan and international internal auditing standard 2500 (Review the results).

As for the final international internal auditing standard 2600 the ability of management to accept the risk; the content of this standard requested that chief audit executive must concludes that management has accepted a level of risk that may be unacceptable to the organization, and he must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board (IIAS, 2012). With comparison of this content to our local practices we can observe that article 8 Jordanian internal control system obligated management to reduce the risk through ensuring compliance with the legislation in force to reduce errors and discovery in the event of occurrence. Thus, our final sub-hypothesis is:

H1-7: There is no consistency between internal auditing practices in Jordan and international internal auditing standard 2600 (management's acceptance of risk).

3. Methodology of the study

3.1 The study method

This study follows both descriptive and field research methodologies. The descriptive method review and discuss the different literature about consistency of internal auditing practices in companies with government contributions with reference to journals, reports, textbooks, thesis and any related sources. On the other hand, the field investigation was based on a structured questionnaire prepared and distributed to a sample of Jordanian companies' staff to obtain the necessary information that serve the aim of the study.

3.2 Data and sample characteristics

Since we were interested in organizations with government contributions, the sample of the study consisted of 115 Jordanian Companies with Government Contributions. The reason for such sample selection is that; these types of companies are affected by government regulations and committed to internal control standards. A structured 460 questionnaires are distributed to staff in these companies, these individuals comprising accountants, Chief Accountants, Chief internal auditors, internal auditors and finance managers constituted the respondents of this study; four questionnaires send for each company. 434 questionnaires were returned and 416 (90%) of them where valid for analysis purposes.

Responses received from respondents were based on a five-point scale, ranging from strongly disagrees to strongly agree, where 1 represented strongly disagree (SD) and 5 represented strongly agree (SA). Statistical Package for Social Sciences (SPSS) was used to analyze data and presented in the form of means and standard deviations for each question and each category or section of the questionnaire. The study acknowledges that Likert scale suffer from the danger of extremes, however Likert scale is used most often in social sciences to measure attitudes and perception of respondents.

Table 2 shows the level of education for the sample. The results show that holders of bachelor's degree are the highest with 40% percentage; the diploma was in the second order by 28% while holders of master degree were 14%. Over viewing education results reveal that about 82% of the sample is well educated and have the knowledge to response for the required information for the study.

Table 3 results show the respondent's age; the results show that 40% of respondent's age was between 31 to 40 and 19% of respondent's age was below 30 while 21% of the respondent's age was between 41 and 50. These results indicate that majority of respondents are in the middle age (80%) and they cohabit the new concepts and knowledge about Internal Auditing practices.

Table 4 shows the results of respondent's specialization field. The highest specialization was for internal auditing with 33% then financial managers by 21%. Chief internal auditors were 18%. It's has been argued that the most fa-

Table 2: The level of education for the sample

Qualification	Frequency	Percentage
Less than diploma	44	10%
Diploma	119	28%
Bachelor	165	40%
Master	57	14%
PHD	18	5%
Others	13	3%
total	416	100%

Table 3: The sample distribution according to age

Age(years)	Frequency	Percentage
30 and below	78	19%
31-40	193	46%
41-50	85	21%
51-60	41	10%
More than 60	19	4%
total	416	100%

miliar specializations with Internal Auditing practices are those who are directly to internal control field such as financial managers, accountants and auditing or internal control; their percentage together compromise 72% of the sample.

Table 4: The sample distribution for field of specialization

Specialization	Frequency	Percentage
Financial managers	88	21%
Internal auditors	137	33%
Chief accountant	51	12%
Chief internal auditors	76	18%
Accountant	64	16%
total	416	100%

Table 5 shows the years of experience for respondents. The experience results showed that the majority of respondents have more than 6 years of experience; 80% of respondents have an experience between 6 and 15 years which is reasonable expertise about Internal auditing practices and its implications.

Table 5: The sample distribution for years of experience

Years of Experience	Frequency	Percentage
1-5	68	16%
6-10	137	33%
11-15	112	27%
16-20	82	20%
More than 20	17	4%
total	416	100%

3.3 Validity and reliability of the study instrument

The internal consistency for the study investigating instrument (questionnaire) was tested using Cronbach's Alpha test to examine the reliability of the measurement instrument according to the answers of respondents. Table 6 shows the results for this test; the value of Cronbach's alpha value for all paragraphs was (85.7). this result is acceptable to analyse the collected data.

Table 6: Cronbach Alpha test

Sample number	Cronbach's Alpha
416	(85.7)%

4. Results of the study

The examination of the study hypotheses requires an initial examination of frequencies and standard deviation for each paragraph and then one sample t- Test will be employed to test each hypothesis independently. The following are the results of frequencies and standard deviation for the sub-hypotheses paragraphs that were addressed by the questionnaire questions.

4.1 Hypothesis Testing

4.1.1 Hypothesis 1-1: Manage internal audit activity

Table 7 shows the mean and the standard deviations for the first sub-hypothesis paragraphs that related to managing internal audit activity standard. As appears from the results; the arithmetic mean for all paragraphs is less than 3 except for paragraphs 3 are more than 3. These results assure that the requirements for managing internal audit activity are unavailable in the sampled companies; this conclusion is evidenced through the arithmetic mean for all paragraphs of (2.483); Paragraphs mean is less than 3, this result shows a weakness of companies to commitment for internal auditing standard 2000.

Table 7: Arithmetic mean and standard deviation for Standard 2000: Manage internal audit activity

No	Paragraph	mean	std.dev
1	Internal auditing adds value to the institution	2.310	1.150
2	plan developed to establish priorities for objec.	2.833	0.718
3	plan sent to manag and Dir. Board for approval	3.021	1.047
4	Allocate Resources to implement plan effectively	2.333	1.148
5	Policies, are developed to implement the audit plan	2.259	0.874
6	plan information shared internally and externally	2.144	1.358
	Average arithmetic mean for all paragraphs	2.483	

4.1.2 Hypothesis 1-2: The Work Nature

In Table 8 the mean and standard deviations for the second sub-hypothesis paragraphs concerned with requirements for work nature; it is evidenced from all paragraphs results that the mean is below 3. This result also confirms our expectations for the failure in commitment to internal auditing standards. The average mean for all paragraphs was below 3 (2.593); this result also in line with the previous hypothesis results.

Table 8: mean and standard deviation for Standard 2100: Work Nature

No	Paragraph	mean	std.dev
1	Internal audit activity improves governance	2.165	1.025
2	Internal audit activity improves risk management	1.941	0.732
3	Internal audit activity raise the level of control	2.985	1.147
4	Audit leads to commitment to values and ethics	2.214	1.222
5	Internal audit contributes to performance	2.663	1.415
	Average arithmetic mean for all paragraphs	2.483	

4.1.3 Hypothesis1- 3: Internal Auditor

Table 9 shows the mean and the standard deviations for the third sub-hypothesis paragraphs that related to Standard 2200 (Internal Auditor). As appears from the paragraphs results the arithmetic mean for almost all paragraphs is less than 3. These results assures that internal auditing departments do not comply with standard 2200 requirements; this conclusion is evidenced through the arithmetic mean for all paragraphs of (2.875). Such result also is likewise previous results that showed weakness in commitment to internal auditing standards.

Table 9: mean and standard deviation for Standard 2200: Internal Auditor

No	Paragraph	mean	std.dev
1	Internal audit implement, strategies ,objectives	2.856	1.015
2	internal auditor performs risk assessment	2.742	0.957
3	internal auditor considers the possible errors, fraud	3.153	1.108
4	Auditor provide metrics to assess govern,control	2.691	0.837
5	int. auditor ensure existence of records, documents	3.133	1.658
6	auditor determines resources he needs to do his work	2.481	1.235
7	auditor documents work procedures files	3.075	0.658
	Average arithmetic mean for all paragraphs	2.875	

4.1.4 Hypothesis1- 4: Internal Auditor director

Similar to prior results, the results in Table 10 also revealed weakness and failure in commitment to Standard 2300 (Internal Auditor Director); the mean and the standard deviations for all paragraphs is less than 3 with average arithmetic mean for all paragraphs of (2.755).

Table 10: mean and standard deviation for Standard 2300: Internal Auditor Director

No	Paragraph	mean	std.dev
1	auditor identify, analyze information of objectives	2.268	0.753
2	auditor verifies information reliably, complete	2.992	1.584
3	int. auditor documents information support results	3.153	0.708
4	int auditor performs supervision and follow-up	2.240	0.966
5	auditor accounts the quality of the results	3.122	1.016
	Average arithmetic mean for all paragraphs	2.755	

4.1.5 Hypothesis1-5: Report the results (table 11)

Tables 11, 12 and 13 concerned with internal auditing standards 2400, 2500 and 2600 also shows failure in commitment to internal auditing standards requirements. The arithmetic mean for all of these standards was below 3. These results also appear similar to the results reached in previous tables.

Table 11: mean and standard deviation for Standard 2400: Report the results

No	Paragraph	mean	std.dev
1	internal auditor shall report all his results	2.116	1.003
2	auditor provide information on work plans	1.992	0.741
3	Auditor recommends the results of his work	2.235	1.658
4	presents his opinion to Directors on results	2.402	1.133
5	auditor's reports are objective, correct and clear	2.870	1.555
6	auditor determines outcomes of the activities only	2.590	0.159
	Average arithmetic mean for all paragraphs	2.367	

Table 12: mean and standard deviation for Standard 2500: Review the results

No	Paragraph	mean	std.dev
1	auditor express his opinion about objectives	2.412	1.333
2	auditor support final results with documentation	3.047	0.541
3	auditor adhere by rules for giving his opinion	2.865	1.278
4	auditor send findings to administration	2.135	1.166
5	auditor verifies that management review risks	2.149	0.936
	Average arithmetic mean for all paragraphs	2.521	

4.1.6 Hypothesis1-6: Review the results (table 12)

4.1.7 Hypothesis1- 7: Resolve management's acceptance of risk (table 13)

Table 13: mean and standard deviation for Standard 2600: Resolve management's acceptance of risk

No	Paragraph	mean	std.dev
1	audit department discuss risks with management	2.713	0.628
2	Audit Dep. inform BOD for dispute with Manag.	1.932	0.746
3	audit department provide solutions for risks	2.153	0.951
4	audit dep. ensures measures fit risk direction	2.359	0.755
	Average arithmetic mean for all paragraphs	2.289	

Based on previous results of all sub-hypothesis we conclude that, there is no commitment from companies with government contributions to all internal auditing standard of performance. All of the results for the seven dimensions of performance showed weaknesses and failure to apply the standards requirements.

4.2 One sample t- Test

As mentioned earlier the methodology of the study includes conducting one sample t-test to examine the main and the sub-hypotheses of the study which are:

Table 13 shows the results of one sample t- test; the results show that the two hypotheses are significantly valid. As appears in the table all of calculated-t results are higher than that of statistical-t at a degree of freedom of 415 with significance below 5%.

Table 14: results of one sample t- test

Hypothesis	T-calculated	T-stat	Sig.	Df	decision
H1	4.61	1.96	0.000	415	accepted
H1-1	5.25	1.96	0.000	415	accepted
H1-2	4.79	1.96	0.000	415	accepted
H1-3	4.56	1.96	0.000	415	accepted
H1-4	3.92	1.96	0.000	415	accepted
H1-5	4.18	1.96	0.000	415	accepted
H1-6	4.33	1.96	0.000	415	accepted
H1-7	4.27	1.96	0.000	415	accepted
			Sig.below 0.05		

According to the rule of one sample t-test; if calculated-t is higher than statistical-t the null hypothesis is rejected. Therefore, and based on these results we accept the seven null sub-hypotheses and the main hypothesis of the study; because all of the results previously discussed proved that Jordanian companies with government contributions do not comply with internal auditing standards of performance and they do not commit to all standards requirements and to the proper methods and concepts concerned with internal auditing.

5. Conclusion and recommendations

5.1 Conclusion

In the last 20 years the concept of internal auditing has a great importance in policy-making process and considered a major turning point for our societies. Although of complexity of this concept it's vital for both present and future actions; the importance of this concept raised the need for adoption of internal auditing standards.

This study was constructed to address the issue of consistency between local practice of internal auditing and the international internal auditing standards. The study was aimed to investigate whether Jordanian companies with government contributions comply and commit to such standards or not. Recent economic development regarded internal auditing as one of the main func-

tions of companies to achieve its strategies and desired objectives; therefore, it's necessary to investigate our commitment to such standards similar to other economies. The methodology of the study followed two scientific methods to investigate this problem; both descriptive and field investigation was applied. The study reviewed the previous literature to address the importance for implementing internal auditing concept; and a questionnaire was also used to examine and capture the companies' commitment to internal auditing standards. Commitment and consistency to standards was tested from seven dimensions; the results of the arithmetic mean for almost all of paragraphs concerning this consistency proved that Jordanian companies are not committed to the requirements of internal auditing. When testing the seven predetermined sub-hypotheses of the study using one sample t-test the results also confirmed this inconsistency of local practice of internal auditing to international internal auditing standards. Consequently, the final conclusion of the study is consistent with many results of similar conclusions reached by local and international studies.

5.2 Recommendations of the study

1. Providing more awareness for companies' staff about the concept of internal auditing and their general framework in order to achieve the desired benefits of internal auditing standards.
2. Adopting proper legislation and adopting the necessary internal auditing standards that guide companies' activities concerning monitoring company's activities.
3. Obligating the internal audit departments to collect measure and disclose accurate, relevant information for interested parties.
4. More education and training to enhance the qualification, skills and expertise of accountants, auditors, and administrators to meet the requirement of internal auditing activities.

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