

FACTORS CONTRIBUTING TO THE PERFORMANCE OF INTERNAL AUDIT

SHAH MAHMOOD WAHAB

Master of Business Administration Student at Bakhter University, Afghanistan.

Dr. AHMAD JAMSHID SAFI

Lecture, Ph.D. Management, Bakhter University, Afghanistan.

Abstract

Since audit has great importance in preventing, consulting and finding cases of funds misuse, it was thought of analyzing the factors that contribute to increasing the efficiency of internal audit in the public sector which would help to set proper and more transparent governance of public financial resources. This study investigated the relationship between effectiveness and contributing factors. The data for the study were collected through other published journals. After reviewing of the published journals, the results recommend five Hypothesis for the internal audit effectiveness: -The sector to which an organisation belongs (that is, public versus private) will be related to the effectiveness of internal auditing. The function will be more effective in private organisations than in public organisations. -Greater professional proficiency on the part of the internal auditors will be related to greater auditing effectiveness. -Greater quality of the auditing work will be related to greater auditing effectiveness. -Greater organisational independence will be related to greater auditing effectiveness. -More career opportunities for internal auditors in the organisation will be related to greater auditing effectiveness.

Keywords: Internal Audit, effectiveness of internal audit, INGO.

INTRODUCTION

Organizations in Afghanistan have encountered rapid changes in economic complexity, expanded regulatory requirements by donors, COVID-19 pandemic, political changes and technological advancements in recent years. In addition to these changes the current political situation and the global financial crisis also pushed the public and regulatory bodies to give unique positions to internal audit. These changes have given the internal Audit a set of expanded opportunities to support and advice management; evaluate risk exposures relating to the organizations programming, operations and information systems, identify and strengthen internal control system efficiency and effectiveness, provides a report and recommendation compliance with laws, regulations of organization, and donor.

According to the SIGAR Audit report, from January 1, 2014, and December 31, 2020, USAID implemented 698 awards to support the reconstruction of Afghanistan. Out of those awards, USAID terminated 11, or less than 2 percent. All 11 were terminated for convenience of the government, and they had a cumulative value of over \$390 million, of which \$172 million was disbursed prior to the terminations SIGAR determined that either USAID did not maintain or did not complete all of the required termination documentation for 8 of the 11 awards, or almost 73 percent. As a result, USAID did not comply with applicable sections of the Code of Federal Regulations (CFR), Federal Acquisition Regulation (FAR), and USAID's own Automated Directives System (ADS). For the 3 awards where USAID provided all of the required

termination documentation, SIGAR determined that USAID terminated them in compliance with CFR, FAR, and ADS guidance (SIGAR 22-21 Audit Report).

Devotion to these requirements is not unimportant or an obscure bureaucratic constraint. Completing and maintaining termination documentation is critical to understanding issues surrounding a termination, and is necessary to arrive at appropriate settlements and conduct complete financial audits. Contracting officers, auditors, and other government officials need access to complete and accurate records, which document such things as why a contracting officer terminated an award, how the agency and contractor reached a settlement amount, and what monitored costs and activities were associated with the termination.

USAID has recognized the importance of award files, deeming them “essential files,” and making them part of USAID’s Essential Records Program.²⁹ This program established internal controls to help ensure the preservation of key documents, even in disasters or emergencies, and the government’s continued ability to operate. These internal controls are in addition to the internal controls for ensuring a contract file is complete and accurate. Additionally, the USAID/Afghanistan Mission issued guidance on records management to ensure that it complied with agency records management policies, which included multiple layers of review.

The public sector of Afghanistan is the main address which designs economic agenda for the whole country and supporting by international donor including USIAD. In order to make sure that the economic agenda of the country is designed properly and budgets are spent as per the plan, a systematic internal control is needed. One of the main tools in achieving this objective is having an active internal audit function. The absence of Internal Audit function paves the ground for misuse of the public resources and allocated budget.

In fact, complex bureaucratic systems and historical structure of the government, mainly in countries like Afghanistan, provide some level of comfort for individuals with questionable character to misuse the government resources. In the meantime, individuals who are always looking for misusing the government resources are against the concept of having a proper internal assurance provider (Internal Audit) that can strengthen the accountability and safeguard the foreign resources.

Previously internal audit was a basic function in both private and Government departments. Afghan government institutions and leaders must be transparent and accountable to citizens. USAID and the international donor community support this effort through a network of tools to encourage increased transparency and accountability within the Afghan government. Incentivized on-budget assistance is provided once the Afghan government meets transparency goals, creates processes to mitigate corruption, or makes targeted reforms supported by the international community. Fiduciary reviews are regularly conducted on national programs that use U.S. and other donor contributions to the World Bank-managed Afghanistan Reconstruction Trust Fund.

Based on the SIGAR recommendation, and to help ensure that USAID Afghanistan mission director and mission office maintains all required award termination documentation in compliance with federal regulations and its own internal guidance, the below recommendation

should be consider and follow up:

1. To take corrective action to retrain contracting officers/staff about the importance of existing documentation requirements for terminating awards.
2. Make sure to that the responsible staff follows internal controls related to the completion and storage of award files.

USAID's Afghanistan Measure for Accountability and Transparency (AMANAT) program works with select government institutions to implement procedural reforms and improve the internal audit system with financial institution, that reduce vulnerabilities to corruption in day-to-day administrative processes. The program also strengthens the capacity of local civil society organizations to test and monitor the effectiveness of those reforms, and to advocate for their implementation.

Modern internal audit grew in 1987 after the provision of a report furnished by the COSO discussing the fraudulent financial reporting (Vani, 2010). Implementation of Sarbanes-Oxley act in 2002 drastically increased the responsibility of the internal audit function in regard to assisting the management in achieving its objectives by bringing a systematic and disciplined approach to evaluate the performances as well as improve the risk management, control, and governance processes (Vani, 2010).

Nevertheless, Internal Audit is subject to many problems that affect internal auditors' effectiveness in different corporate governance (Cohen & Sayag, 2010; Arena & Azzone, 2009; Belay, 2007; Mihret & Yismaw, 2007). Particularly the determinants of internal audit effectiveness which are used to measure the improvement of public sectors through IA were the focus of this case study. In this case study the literature review consists of the definition of internal audit and the term effectiveness, the type of auditing activities performed by the internal auditors and the internal audit effectiveness instrument of improving public sector management such as the perceptions of the management, management support, organizational independence of internal auditors, adequate and competent of IA staff and the presence of approved IA charter by referring different books, reviewing and analyzing prior audit researches and journals. The purpose of this review paper is to analyze the link between the effectiveness of internal audit and the four factors that were pointed as contributing factors in the effectiveness of internal audit, such as: quality of internal audit, competences of the internal audit team, independence of internal audit, and the support of internal audit by the management. The second purpose of this paper is to investigate the common impact of these factors on the effectiveness of internal audit which would help the INGO in correct and more efficient management of public money.

LITERATURE REVIEW

The systematic literature review (SLR) is conducted to identify the influential factors of internal audit effectiveness; relevant studies are reviewed between the period January 1999 and March 2022 through a lens focused on the key factors of internal audit effectiveness. In addition, the review took into consideration what is mentioned in The International

Professional Practices Framework for Internal Auditing (IPPF). Based on the finding of the review paper, five factors of internal audit effectiveness and their dimensions are identified and comprised into a conceptual model, these factors are internal audit organizational characteristics, internal audit relationships, internal audit processes, internal audit resources, and internal audit coordination with other assurance providers. This paper provides internal audit practitioners, audit committees, and senior management in organizations with a broad understanding and comprehensive overview of the key factors that should be considered to make their internal audit functions more effective. This paper proposes a conceptual model that provides a holistic view of the influential factors of internal audit effectiveness and clearly identifies the dimensions of the factors. (Ayman Abdelrahim and Husam-Aldin N. Al-Malkawi (2022)

In regard to the internal audit function in Afghanistan, primarily the establishment of Internal Audit Departments in Afghanistan Public Sector was approved based on the resolution No. 2644 passed by the minister's council of the Republic of Afghanistan in 1980 (SAO).

Internal auditing start as accounting procedure that consisted mainly of performing independent verification of bills before payment (Boynton and Kell, 1996). Therefore, an origin of internal audit. In the early 1900s, the explain and try to catch the fraud of various users of financial statements (Guy et al, 1996). In other words, internal audit is the procedure and modern approach of social and economic development.

The major changes regarding the European Industrial Revolution in the 18th century greatly improved and establishment of many large share-holding companies and monopoly collections. Due to the rapid development and expansion of productive technology, operational scope, and large-sized organizations with different level managerial levels, heads of companies could not directly carry out supervision, so they need full-time representatives to do it for them (Aisiopoulos, 1980).

Internal audit is a cornerstone for good governance in the public sector” (Goodson, Mory & Lapointe, 2012).

According to (Badar, 2012) internal audit has to do with the examination of accounting records in order to verify their accuracy and compliance with all applicable legal requirements, accounting standards, professional statements and organizational policies. The above mentioned study indicates the internal auditor is an additional guarantee for financial controls in the public sector and is responsible for the audit of all financial transactions by examining all accounting books and records held in the organization, in order to detect fraud and correct errors.

Previous studies have investigated the factors with an influence on internal audit effectiveness. Firstly, internal audit effectiveness is based on the internal audit concept of IIA (Mihret et al. 2010; Gros et al. 2017). The important objective of an internal audit is to provide an independent and objective auditing and advisory function, designed to create added value and complete organizational activities. An internal audit helps an organization to achieve its goals by adopting a systematic approach to assess and

improve the effectiveness of risk management processes, control processes, and corporate governance (Hass et al. 2006; Yee et al. 2008; Walter and Guandaru 2012; Dellai and Omri 2016; IPPF 2017)

Internal audit occupies a unique position in the internal assurance services given by the public and regulatory bodies pushed by the current organizations scandals and global financial crisis (Soh and Bennie, 2011). Issues related to auditing and financial prevision and reporting have been unfolded since financial markets crisis on 2007. To evaluate businesses, management has to evaluate both employees' honesty and work's efficiency. These responsibilities have been delegated to the established formal internal audit function (Ramamoorti, 2003).

Internal audit is an integral part of the system of internal control. It is carried out within the organization with the main objective to increase the value of the organization and improve its operations. (Vokshi, 2015)

Other authors (Dr A.O. Enofe, Dr C.J. Mgbame, V.E. Osa-Erhabor, AJ Ehiorobo, 2013) consider internal audit as a very important element in the range of resources and mechanisms available to public sector managers, which helps in fulfilling accountabilities in front of citizens.

With the increasing size and complexity of the public sector in recent years, the importance of internal audit has increased. It is today a major factor in determining the quality of internal control in the public sector. Its development has made a significant contribution to improving public sector management (Angus Unegbu Okechukwu, Mohammed Isa Kida, 2011).

Quickly, internal audit scope has been extended to include most of financial transactions' verification, and gradually moved from auditing for management to auditing of management approach (Reeve, 1986). IIA (2010) defined internal audit effectiveness as the degree to which establish objectives are achieved. Internal auditing could assist organizations in better accomplish their objectives by fetching a systematic and disciplined approach to improve and evaluate the control, risk management, and the governance processes effectiveness (IIA, 2009). The internal auditors have to be characterized with the highest professional objectivity levels of communicating skills including gathering and evaluating information related to the examined activities or processes (IIA, 2009). While management's increased attention to internal audit recommendations encouraged internal auditors to provide their best efforts, the lack of management attention gives the auditee a bad idea regarding the importance of internal auditing which in turn adversely affect the auditee attributions (Mihret and Yismaw, 2007). A survey on internal auditors has been conducted by Van Peurseem (2004) in New Zealand to specify the functions that internal auditors believe to be necessary to their role. This survey tried to explain the internal auditors' role dilemma which arise from the expectation that internal auditors could assist the management as well as independently evaluate it. Many respondents refer to that in the recent years the internal audit's role has been changed from a policeman' to a consultant.

Internal auditors must have the relevant factors or characteristics such as competence, independence and have the support of management, in order to be effective (Amanuddin

Shamsuddin1 et al., 2015).

Relying on (Amanuddin Shamsuddin et al., 2014) internal auditors often have a negative relationship with the auditee in the public sector. Without a decent support from the auditee, internal auditors will have difficulties in completing the audit process which will definitely affect the effectiveness of internal audit.

In developed countries, the audit committee has the role of a mediator between the management and internal audit. This makes the role of management support less important than in developing countries, where audit committees are new. This issue is controversial even in developed countries, the executive management is directly in a position, or indirectly through the audit committee, and it affects to a certain degree the nature of work of the internal audit. When the management considers the internal audit function as positive, then the function is likely to be more effective (Alzeban Abdulaziz, David Gwilliam, 2014).

Even (Aaron Cohen & Gabriel Sayag, 2010) consider the support of the management almost crucial to the successful internal audit functioning. Other determinants that contribute to the effectiveness of internal audit depend on the support of top-management as hiring skilled staff in internal audit, developing career paths for the internal audit staff, ensuring organizational independence for the work of internal auditors, result as decisions made by senior management.

The IIA's standard 1210 refers to that auditor's proficiency requires the internal auditors to be with high skills, knowledge and other competencies to better perform their responsibilities (IIA, 2011). Auditing general experience is related to audit's years of experience, training, knowledge, skills and expertise that can be applied to any client (Wright and Wright 1997).

(Nasibah Halimah Ahmad et al., 2009) listed lack of audit staff as the main problem that internal auditors face in conducting an effective internal audit. The study also qualified as essential the competence of internal audit, objectivity and quality of work performed. Otherwise, the internal audit function will face difficulty in achieving its effectiveness. The importance of internal audit itself, which adds value to management accountability by providing safety focused on risk and advisory services, demonstrable by economic indicators, efficient and effective, encouraged many authors worldwide to analyze the factors that will contribute in increasing the effectiveness of internal audit (Kosum Ali, Skender Breznica, Afrim Shala, Kimete Afiri, 2016). In their research "Factors that contribute to the effectiveness of internal audit in the public sector" (Zulkifli Baharud-din, Alagan Shokiyah, Serjana Mohd Ibrahim, 2014) included 330 respondents from the internal audit departments of ministries. The authors confirmed that there exists a significant positive correlation between the effectiveness of audit and audit competence, independence and support by the management audit. Other authors (Dr A.O. Enofe, Dr C.J. Mgbame, V.E. OsaErhabor, A.J. Ehiorobo, 2013) analyzed the role of internal audit on the effectiveness of public sector management and confirmed that the local government can achieve effective management and that internal audit plays an important role in efficient management of the public sector. A research on the effectiveness of the internal audit conducted by (Salehi, 2016) offered evidence that competence, the size of the department of internal audit, communications between internal

auditors and external independence of internal auditors, and the level of management support for conducting internal audit. All these contribute to the effectiveness of the internal audit department. Almost all studies set the same factors as contributing in the effectiveness of internal audit and all have proved the hypothesis raised that contributing factors impact and are crucial to the effectiveness of internal audit.

Many studies indicate that gaining such experience means that auditors know more about errors, occasional errors, their cause and the ways that provide more specific knowledge about them (Intakhan & Ussahawanitchakit, 2010; Gaballa & Ning, 2011). Moyes (2007) shows that highly experienced auditors perform more effectively than other with less experience because experienced auditor have the ability to process information, make successful comparisons about the alternative solutions for auditing findings and initiate subsequent actions (Chung & Monroe, 2000). Auditing experience is strongly associated to the different levels of knowledge and skills that the auditor has acquired as a result of long job practice in auditing professions in a way that can enhance his effectiveness (Badara & Saidin, 2013). Bonner and Lewis (1990) referred to that auditor's experience is a remarkable predictor for knowledge but persons couldn't equally have acquired all types of knowledge. Likewise, persons with similar level of experience in a domain do not have the same abilities in solving problems. This is because solving a problem is highly depended on the task nature or auditees activities where different types of knowledge are gained from different specific experiences and training. Carpenter et al. (2002) indicated that while having audit experience does not give auditor the capacity to detect frauds, having individual experiences in detecting fraud fits him with the ability of fraud detection. Therefore, diversifying in audit knowledge provides a strong fundamental to audit efficiency and effectiveness (Musig and Ussahawanitchakit, 2011).

METHODOLOGY OF THE REVIEW PAPER

The data for this review paper were collected through a systematic review of secondary data from similar published journals and documents. The overall, purpose of the review paper is to investigate and analyze the link between the effectiveness of internal audit and the four factors and five Hypothesis pointed as contributing factors for the effectiveness of internal audits.

CONCEPTUAL FRAMEWORK

In one of the very few studies that examined the effect of internal auditing on organisational performance, Eden and Moriah (1996) assigned 224 bank branches to experimental conditions (audited or not audited) and monitored their performance for a year. Their findings showed that performance significantly improved during the half year following the audit in the experimental branches, while the control branches experienced a decline due to poor general business conditions. It should be reiterated that Eden and Moriah are nearly alone in developing and testing an explanatory model of IA effectiveness. While that study offers a useful jumping-off point for understanding how good auditing can improve a company's performance, it does not go far enough in explaining when and why IA works, and the conditions that facilitate or impede it. Helping to bridge this gap will be one of the main contributions of this study. There

are two main approaches to the concept of IA effectiveness. According to the first approach, the effectiveness of internal auditing is determined by the fit between the audit and some set of universal standards extrapolated from the characteristics of IA (White 1976). Such an approach was presented by Sawyer (1988), who advanced five standards for internal auditing: interdependence, professional proficiency, the scope of work, the performance of the audit and management of the internal audit department. This approach was also followed by Anderson (1983) and Glazer and Jaenike (1980).

The second approach, which will be used here, follows the arguments of Ransan (1955) and Albrecht et al. (1988) that the effectiveness of internal auditing is not a computable reality, but rather is determined by the subjective evaluations assigned to this function by management. In other words, the success of any internal audit can only be measured against the expectations of the relevant stakeholders (Albrecht et al. 1988). This approach requires the development of systematic and generally valid measures by which to gauge IA effectiveness (Schneider 1984; Dittenhofer 2001). One of the early efforts in this regard is that of Hoag (1981), who designed a questionnaire designed to elicit managerial feedback for each internal auditing activity in an organisation. The questionnaire covered four issues: planning and preparation; the quality of the audit report; the timing of the audit; and the quality of communication between the relevant actors. Based on managers' responses, an average score was calculated for the effectiveness of a given auditing task.

This brief review shows the need for a more comprehensive study of the issue of internal audit effectiveness. The papers noted above may deal with the issue qualitatively (White 1976; Glazer and Jaenike 1980), quantitatively (Schneider 1984), or both (Dittenhofer 2001). But only Lampe and Sutton (1994) and Albrecht et al. (1988) attempt to design a comprehensive scale that can be validated by examining its factor structure and reliability, or by exploring its relationship to conceptual correlates. Yet even those studies did not test their suggested scales empirically using valid and reliable scales. The current study takes this line of research a step further by designing and testing such a scale. However, before moving on to this goal, we must first present the explanatory model advanced here.

Five Hypothesis recommend for the internal audit effectiveness:

- The sector to which an organisation belongs (that is, public versus private) will be related to the effectiveness of internal auditing. The function will be more effective in private organisations than in public organisations.
- Greater professional proficiency on the part of the internal auditors will be related to greater auditing effectiveness.
- Greater quality of the auditing work will be related to greater auditing effectiveness.
- Greater organisational independence will be related to greater auditing effectiveness.
- More career opportunities for internal auditors in the organisation will be related to greater auditing effectiveness.

DETERMINANTS OF INTERNAL AUDIT EFFECTIVENESS

The first variable considered here is the sector of the organisation. This study anticipates that the effectiveness of IA will be influenced by whether the organization is private or public. This variable will be treated here as a control variable, but its effect is also conceptual. Therefore, it was necessary to examine the possibility that, in addition to its main effect, this variable will interact with the other conceptual determinants in how it affects the effectiveness of internal auditing. The categorisation of public versus private sector is based on the goals of the organisation. Private organisations are generally interested in maximising their profits, while public organisations focus on improving their services. Goodwin (2003, 2004), in two studies dealing with internal auditors in Australia and New Zealand, identified several important differences between IA in the private versus the public sector. Goodwin (2004) notes two main points where public and private organisations diverge. First, public sector agencies operate in a rigid framework where the organisation's activities must be authorised by legislation. Second, these agencies are service-oriented, and hence attach lower priority to cost factors and issues associated with profitability. In the earlier of the two studies, examining the relationship between the audit committee and the internal audit function, Goodwin (2003) found several differences between the public and the private sectors, and recommended further examination of sector differences in IA.

QUALITY OF AUDIT WORK

Glazer and Jaenike (1980) argued that performing auditing work according to internal auditing standards contributes significantly to the effectiveness of auditing. Ridley and D'Silva (1997) found in the UK that complying with professional standards is the most important contributor to IA's added value. Standards for audits and audit-related services are published by the IIA (2008) and include attribute, performance and implementation standards. In general, formal auditing standards recognise that internal auditors also provide services regarding information other than financial reports. They require auditors to carry out their role objectively and in compliance with accepted criteria for professional practice, such that internal audit activity will evaluate and contribute to the improvement of risk management, control and governance using a systematic and disciplined approach. This is important not only for compliance with legal requirements, but because the scope of an auditor's duties could involve the evaluation of areas in which a high level of judgement is involved, and audit reports may have a direct impact on the decisions or the course of action adopted by management (Bou-Raad2000). It can thus be argued that greater quality of IA work – understood in terms of compliance with formal standards, as well as a high level of efficiency in the audit's planning and execution – will improve the audit's effectiveness.

ORGANISATIONAL INDEPENDENCE

The role of IA in organisations is complex. Van Peurse (2004) identifies strong potential for confusion in the relationship between internal auditors and management: internal auditors are expected to aid managers in doing their jobs, and at the same time to independently evaluate

management's effectiveness. Internal auditors are charged with upholding the best interests of their employer, but they may be reluctant to counter management, regardless of the consequences. Bou-Raad (2000) argued that the strength of an IA department must be assessed with respect to the level of independence it enjoys from management and from operating responsibilities. The IIA, the American Institute of Certified Public Accountants (AICPA) and others have likewise identified organisational independence as crucial to the viability of the internal audit function (Brown 1983). Auditors should be sufficiently independent from those they are required to audit that they can both conduct their work without interference, and – equally important – be seen to do so. Coupled with objectivity, organisational independence contributes to the accuracy of the auditors' work and gives employers confidence that they can rely on the results and the report. Mautz and Sharaf (1964) differentiate among three dimensions of independence: programming independence, investigative independence and reporting independence. They found the last of the three to be crucial in the work of internal auditors in municipalities in the US. Montondon (1995), Rittenberg (1977) and Chambers, Selim and Vinten (1988) differentiate between organisational independence, based on organisational support, and individual independence, based on individual factors.

TOP MANAGEMENT SUPPORT

The management literature offers ample evidence for the key role of top management support in the success of almost all programs and processes within an organisation. Fernandez and Rainey (2006) argued, based on a thorough literature review that top management support and commitment to change play a crucial role in organisational renewal, as senior managers can mobilise the critical mass needed to follow through on efforts launched by one or two visionary thinkers. A number of empirical studies have found top management support for quality to be a key factor in its improvement (for example, Dale and Duncalf 1985; Ebrahimpour and Lee 1988). Top managers' attitudes and behaviours have also been found to be related to quality management practices (Flynn, Schroeder and Sakakibara 1994). Takeuchi's (1981) survey of companies with high-quality performance found that 89% had CEOs who regularly visited the factory floor, participated in training programs and attended company-wide quality-improvement events. Given this, it is not surprising that management acceptance of, and support for, the internal audit function has long been seen as critical to the success of that function (Sawyer 1973). Several recent studies have demonstrated that support for internal auditing by top management is an important determinant of its effectiveness (Jill 1998; Schwartz, Dunfee and Kline 2005). Funding, of course, is an important measure of such support: IA departments must have the resources needed to hire the right number of high-quality staff, to keep up-to-date in training and development, to acquire and maintain physical resources like computers, and so on. In a survey of Australian internal auditors, Leung, Cooper and Robertson (2004) found that chief audit executives are generally very positive about the performance of IA.

CONCLUSION

This paper investigated the relationship and impact of the quality of internal audit, the competence of audit team, independence and support of the internal audit with the effectiveness of internal audit. The results confirmed that these factors have a positive relationship with the effectiveness of internal audit which can come to a conclusion that the public sector of internal audit if: audit quality is at an appropriate level, the team of auditors has the competence and independence in their work and is also supported by the management, then audit is effective anyway; something that would also contribute to a better management of public finances in the country.

The results of the review paper show that the independence of an internal audit has a positive impact on the effectiveness of an internal audit, which is consistent with the results of Mutchler (2003); Alizadeh (2011); Baharud-din et al. (2014); and Al-Akra et al. (2016). Internal auditors have a right to unrestricted access to documents, personnel and other departments in collecting audit evidence, avoiding conflicts of interest between Int. J. Financial Stud. 2022, 10, 37 12 of 14 internal auditors with other department, senior management, and the board of directors, which is similar to Goodwin and Yeo (2001) and Christopher et al. (2009). Therefore, hypothesis H1 is accepted. The result also illustrated that management support for internal audit has a positive effect on the effectiveness of internal audits, which is in agreement with previous studies such as Albrecht et al. (1988, cited in Dellai and Omri 2016); Gramling et al. (2004); Salameh et al. (2011); Ahlawat and Lowe (2004); Aikins (2011); Octavia (2013); Baharud-din et al. (2014) and Dellai and Omri (2016). The analysis of the results pointed that the board of directors will support the approval of internal audit regulations and plans, appointment, resigning and salary decisions for internal auditors. For managers, support for internal audits in the administrative approval of personnel and allocated budget for internal auditors to implement the audit plan, and actively support the audit department in internal training and professional development. Hence, hypothesis H3 is accepted.

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