

The Impact of Audit Culture and Internal Control Systems on Audit Quality: The Case of Lebanese Banks

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ABSTRACT

The audit process is a representation of the engagement team's testing procedures. A company's culture and working procedures are two factors that might affect one's performance on the job. Leaders may message that they care about their and their audit firm's reputations by showing appreciation for high standards of audit quality and stressing the necessity of "doing the right thing" in the public interest. The Center for Audit Quality is only one part of the Audit Quality Disclosure Framework. There should be a clear emphasis on audit quality, and leaders should set the tone by doing so themselves. Only 300 employees from the businesses above participated in the research. Those 288 employees work for a wide variety of companies. This study's findings shed light on the connection between strong internal controls and good governance in Lebanon's banking sector. Senior management will focus on organizational compliance, the internal control system and monitoring methodologies, effective corporate governance, risk assessment, quality assurance, and independent forensic investigation since these are all prerequisites for an independent audit role. The chance of management undermining internal controls designed to identify and prevent fraud will decrease, and a more positive culture will result. Both managers will check that sufficient internal procedures are in place to safeguard corporate property.

Keywords: Audit Culture, Audit Quality, Governance, Internal Control.

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I. INTRODUCTION

The audit process is a representation of the engagement team's testing procedures. A company's culture and working procedures are two factors that might affect one's performance on the job. The same holds for auditing firms. It has long been believed that an audit firm's culture is unique and secretive, representing the core of the business. In several practitioner frameworks, "audit culture" is highlighted as an essential factor contributing to audit quality according to Zalata *et al.* (2018).

According to Yi-Fang *et al.* (2015), leaders may message that they care about their and their audit firm's reputations by showing appreciation for high standards of audit quality and stressing the necessity of "doing the right thing" in the public interest. The Center for Audit Quality is only one part of the Audit Quality Disclosure Framework. There should be a clear emphasis on audit quality, and leaders should set the tone by doing so themselves. An auditing firm's culture and underlying concepts may affect the level of professional scepticism and judgment practiced there. Attitudes and actions such as coaching, consulting, compliance, remediation, innovation, and continuous improvements all significantly impact audit quality, mainly due to cultural factors.

Every level of an organization relies on systems to function, including governments, businesses, and nonprofits. According to Surbakti *et al.* (2017), the purpose of an organization's internal control system is to ensure the safety of its assets, the reliability of its financial reporting, the observance of all applicable laws and regulations, the effectiveness of its business processes, and the continuity of its business operations. Methods of financial reporting and auditing are also included in the system. Methods for evaluating programs and workers, as well as rules for handling conflicts of interest, fall under this category. The system also handles the organization's internal and internal communication procedures according to Sayar (2018).

According to Phan *et al.* (2020), correct financial records are more likely to be provided by employees that strictly follow the internal control system. Their research indicates that an internal control system is most successful when used consistently and rigorously. According to these authors, audit failures and financial accountability issues are caused by a lack of adequate internal controls or employee wrongdoing. Therefore, they advocate stringent hiring, auditing, and monitoring criteria to solve the problem. According to Moses *et al.* (2016), a company's internal control mechanisms are only as good as the individuals who oversee them. Some weaknesses of the internal control system include human mistakes, collaboration, and managerial overrule.

Instead of relying on employees' good faith, organizations should follow recommended practices of implementing internal audits and personnel controls to ensure that money is being spent appropriately. Through this method, he ensures that company property is safeguarded, and organizational goals are met. Accounting records are more trustworthy when an internal control system is in place since it deters management and employees from making mistakes and engaging in fraud according to Matoke and Omwenga (2016).

This ensures the credibility of the data used in financial reporting. Financial accountability depends on an internal control system that is both well-established and highly effective. Financial statements can be judged credible if the internal control system is in place and functioning correctly. In addition, a reliable internal control system may mitigate operational risks and improve the accuracy of financial reporting according to Legoria *et al.* (2018).

Governance has been characterized in several ways from a range of viewpoints. The structure through which organizations are led and governed is known as governance. Governance provides the structure for setting and monitoring the firm's strategic and operational priorities. By keeping an eye on how well management and the company are doing, governance does its best to increase profits for shareholders. The board of directors is the ultimate authority for governance. It oversees the company to ensure it abides by the law, achieves its objectives, and satisfies its stakeholders according to IIA (2017).

II. RESEARCH PROBLEM

The Lebanese Banks control the financial system by acting as a significant economic development and expansion driver. As a result, it is essential to understand some of the components required to maximize audit quality.

From this perspective, the accuracy and reliability of data obtained determine the quality of financial data, play an essential role in management decisions, and help reduce crises. Therefore, this research investigates the relationship between audit culture (power distance, individualism, masculinity, uncertainty avoidance, and time orientation), internal control (control environment, risk assessment, control activities, information and communication, monitoring), and governance characteristics (leadership, values, ethical requirements, and independency) on audit quality (accuracy, professional ethics awareness, competence and value of recommendation).

III. RESEARCH SIGNIFICANCE

This research aims to extend the knowledge of the effect of audit culture, internal control, and governance leadership characteristics on audit quality. This significance has two different perspectives, theoretical and practical significance.

A. Theoretical Significance

The research seeks to raise awareness about the importance and significance of using audit culture, internal control and governance leadership in Lebanese Banks and their effect on audit quality, especially by adding the research to the current

literature in Lebanon. Consequently, researchers in finance and accounting, as well as anyone interested in conducting similar studies, will benefit from this study's findings. To fill in a vacuum in past research, this study investigates how internal control and audit culture features affect audit quality in Lebanese private firms.

B. Practical Significance

The research focuses on the role and importance of audit culture and internal control characteristics on audit quality in Lebanese companies. It will also provide information about internal control and governance leadership in Lebanese Banks and help regulatory authorities introduce regulations to enhance and promote profitability.

Moreover, this research may benefit managers by focusing on audit culture and internal control characteristics and the necessity of expanding their awareness in that field. This means managers may understand how vital the audit culture and internal control activities are in increasing audit quality. So, investors will also benefit from this research by helping them to determine the bank's condition and make investment decisions correctly. Auditors, accountants, and decision-makers will also benefit from this study since it will be considered an added value since this model had not been implemented before.

IV. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

A. The Impact of Audit Culture on Governance

The audit process inspires confidence in the reliability and accuracy of financial reports. Most audits are conducted to ensure that financial resources are managed effectively on stakeholders' behalf. Auditing is crucial for both fiscal responsibility and effective financial management according to Hazaea *et al.* (2020). An audit's principal objective is to ascertain whether or not a company's financial records, including its budget, are by governing rules and regulations. It assesses how well money is being used and checks that norms are being adhered to. Auditing is an effective method for ensuring that all financial resources are managed transparently and accountable according to Grediani (2019).

To the best of our knowledge, an internal audit involves examining the organization's financial records, such as the amounts received and spent, the purposes for which the money was used, and whether or not the money was spent following established policies and procedures, board decisions, or donor requirements according to Enekwe *et al.* (2020).

This paper also includes suggestions for improving the company's financial systems and procedures. As recommended by the authors, managers who want high-quality audits should look for audit firms with impeccable reputations and ethics. Good corporate governance has been linked to high-quality audits. Moreover, his analysis demonstrated that reliable audited financial statements are directly proportional to the high quality of their auditors according to Dahir and Omar (2016). Audited financial statements attest to a high level of fiscal discipline. An audit ensures that the justifications for monetary adjustments made by authorities are sufficient. Audit services inform the NGO's leadership on how well the organization performs in this

respect and highlight areas where financial accountability may be increased according to Dellai and Omri (2016).

The value of an efficient internal audit in assisting firms in reaching their goals has grown substantially in recent years. Information technology (IT) is routinely employed in internal audits in today's businesses. A vital aspect of every organization's management is its internal audits according to Bilal *et al.* (2018). Given the significance of both internal audit and information technology, this research aims to examine the role of organizational culture (OC) as a mediator between the effectiveness of information technology and internal audit in the Jordanian public sector. The research investigates this topic by interviewing 153 internal auditors working for Jordanian government agencies. The research shows that internal audits may be made more effective with the use of IT and the backing of OC. A strong correlation between IT and the success of internal audits was discovered. Organizational culture also plays a significant role in mediating the connection between IT and the effectiveness of internal audits according to El-Gharboui and Chraibi (2021). Compliance with internal audits and management endorsement might be the subject of future research. Based on the previous findings, the first hypothesis was developed as follows:

H1: There is a significant relationship between audit culture and governance

B. *The Impact of Internal Control on Governance*

For a successful audit of a company's financials, an efficient internal control system is mandatory. Internal control systems are crucial for guaranteeing financial records' integrity by giving management and workers a system of checks and balances. He says that the financial statements may be trusted because internal controls deter management and staff from making errors and participating in fraudulent activity. Internal controls and fiscal responsibility are shown to have a strong correlation. His findings show that risk assessment, information, and communication affect financial obligation less than internal control components, including the environment, activity, and supervision of controls according to Barzan (2018).

These experts argue that a more responsible approach to money may be achieved by developing and implementing effective internal control mechanisms. Internal control systems are a crucial part of being financially responsible. Budgeting, financial reporting, and financial auditing and monitoring are all essential steps in his view. One of his recommendations is updating the internal control system to increase fiscal accountability according to Amin *et al.* (2018). The correlation between fiscal accountability and internal control. Findings indicated that an internal control system was associated with higher fiscal responsibility and performance levels. Thus, based on these findings, the second hypothesis was developed as follows:

H2: There is a significant relationship between internal control and governance

C. *The Impact of Audit Culture on Audit Quality*

By predetermined standards, an audit of high-quality results in an honest and reliable audit report. The quality of an audit is enhanced when the auditor has work experience, professional competence, motivation, responsibility, and

objectivity. When an auditor is autonomous, knowledgeable, careful, and responsible, the quality of the audit increases according to Akande (2019). Audit quality is improved by auditors' professional competence, independence, and motivation. An auditor's work experience, independence, neutrality, honesty, and professionalism contribute to the audit's overall quality. Work experience as a learning process increases the possibility of developing excellent conduct from formal and non-formal education according to Alflahat (2017).

Someone with much job experience is better equipped to identify the reasons for mistakes. A competent auditor will affect the audit's quality due to their experience and tenure in the field and ability to use auditing knowledge and skills to conduct an audit thoroughly, accurately, and objectively. Generally speaking, the higher quality of your audits will increase in proportion to your level of expertise. The time required to complete an audit is inversely proportional to the level of knowledge and skill measured by the "competency" variable according to Ahmad (2018).

There is a positive correlation between auditor personality types and audit quality, internal and internal control centers, a firm's ethical culture, and audit team regulations. This cannot be used for auditing ethics, as international standards consist of explicitly specified criteria (and therefore allow for an evaluation of whether or not everyone is compatible). Due to the ever-changing nature of the global economy, national business cultures and practices vary widely according to Ado *et al.* (2020).

Ethical norms take different forms in different countries, but the threats to objectivity are universal. The process standard requires a standard aim to be repeated throughout time, making it hard for the standard to adjust to expectations imposed on auditor quality adequately. Accordingly, the following hypothesis was developed:

H3: There is a significant relationship between audit culture and audit quality

D. *The Impact of Internal Control on Audit Quality*

An audit is a methodical and disciplined approach to examining and improving risk management, control, and governance effectiveness. The audit is essential to every business since it reviews internal controls and determines how vulnerable the company is to potential threats. That's why the upper echelons of management have established policies and practices to guide operations and ensure the company's success. This process is implemented so stakeholders may be certain that organizational objectives will be realized with some degree of confidence. An audit's primary function is to identify areas of vulnerability, after which countermeasures may be developed according to Adams and Zhou (2018).

Auditing and internal control systems have a positive correlation. The study notes that auditing to evaluate and monitor operations leads to greater fiscal responsibility. The analyst suggests that the firm continue using the control system if it wants to be successful according to Zalata *et al.* (2018). The audit committee of a corporation supervises the financial reporting process. The firm's financial management and external auditors regularly review the company's financial statements, auditing procedures, and internal

controls. Auditing is kept to a minimum during the audit period thanks to adequate internal controls according to Yi-Fang *et al.* (2015). They also found that effective internal controls can potentially increase audit quality and detect material misstatements and distortions. Potentially bolstering the trustworthiness of financial reports. Accordingly, the following hypothesis was developed:

H4: There is a significant relationship between internal control and audit quality.

V. DATA COLLECTION

Individuals' levels of agreement or disagreement with various survey topics were quantified using a five-point Likert scale. Respondents may rate their degree of agreement or disagreement with each statement using the scale. The accounting department chiefs and staff members of Lebanese banks fill out the provided questionnaires. The survey has been modified to suit Lebanon's business sector needs better.

VI. RESEARCH POPULATION AND SAMPLING SIZE

In this study, the researcher uses a selection strategy known as convenience sampling, in which a subset of the population is chosen because it is readily available to the researcher. Executives in charge of accounting operations and their team members took part in this survey. Only 300 employees from the businesses above participated in the research. Those 288 employees work for a wide variety of companies. The questionnaire is divided into two parts; part one summarizes essential demographic information such as gender, age, education level, monthly income, and marital status, and part two summarized the independent variables which is divided into two sections, (internal control, and audit culture), and part three summarized the dependent variable (audit quality and governance).

VII. DEMOGRAPHIC VARIABLES

The sample addressed in this research consisted of 288 respondents, 80 respondents constituting 27.8% falls in the age range of 18 years to 25 years old, 100 respondents comprising 34.7% falls in the age range of 26 years old to 35 years old, and 32 respondents falling in the age range of 36 years to 45 years old constituting 11.15% of the sample addressed. In addition, 36 respondents constituting 12.5%, fall in the age range of 46 to 55 years old, and 40 are 56 years old or older.

The sample addressed in this research consisted of 288 respondents, 188 of them which are females, which is equivalent to 65.3% of the whole sample, and 100 are males, which is equivalent to 34.7% of the sample.

By referring to the sample, which addressed 288 respondents, 40 were divorced, 108 were married, and 140 respondents were single.

The educational level distribution showed that 136 respondents constituting 47.2%, have bachelor's degree Level, and 152 respondents comprising 52.8% have a master's degree.

TABLE I: AGE

	Frequency	Percent
18 - 25 years	80	27.8
26 - 35 years	100	34.7
36 - 45 years	32	11.1
46 - 55 years	36	12.5
56 years or older	40	13.9
Total	288	100.0

TABLE II: GENDER

		Frequency	Percent
Valid	Female	188	65.3
	Male	100	34.7
	Total	288	100.0

Source: SPSS Version 2020

TABLE III: STATUS

	Frequency	Percent
Divorced	40	13.9
Married	108	37.5
Single	140	48.6
Total	288	100.0

Source: SPSS Version 2020

TABLE IV: LEVEL OF EDUCATION

	Frequency	Percent
Bachelor's Degree	136	47.2
Master's Degree	152	52.8
Total	288	100.0

VIII. RELIABILITY ANALYSIS

Referring to the mentioned results, it can be noted that "Audit Culture" scored a Cronbach Alpha of 0.742, "Internal Control" scored a Cronbach Alpha of 0.849, "Governance" scored a Cronbach Alpha of 0.779, and "Audit Quality" scored a Cronbach Alpha of 0.908. This implies that all the variables are statistically validated as all Cronbach Alpha are more significant than 0.7.

TABLE V: VALIDITY AND RELIABILITY

	Cronbach Alpha
Audit Culture	0.742
Internal Control	0.849
Governance	0.779
Audit Quality	0.908

IX. REGRESSION ANALYSIS ONE: RELATIONSHIP BETWEEN AUDIT CULTURE, INTERNAL CONTROL AND GOVERNANCE

Audit culture and internal control scored R (0.560) in the model above, indicating a 56 percent influence on governance and a 44 percent omission from the model. There is a 31.4 percent correlation between the independent variables and employee perception in this model, however, the R2 value is higher than this.

TABLE VI: REGRESSION ANALYSIS

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.560 ^a	0.314	0.308	0.91445

a. Predictors: (Constant), Audit Culture, Internal Control and Governance

TABLE VII: REGRESSION ONE

Model	Standardized Coefficients		Sig.
	Beta		
(Constant)	-		0.000
1 Audit Culture	0.512		0.000
Internal Control	0.423		0.003

Dependent Variable: Governance

Table VII explores the connection between perceptions of audit culture and internal control using governance as the dependent variable. P-values of less than 0.05 indicate a strong correlation between all independent factors and governance.

Since all the variables scored an error margin below 0.05, the null hypothesis is rejected, and the alternative one is accepted.

Equation (1) is formulated as follows:

$$Y = A + BX1 + BX2 \quad (1)$$

Governance = 1.64 + 0.507 Audit Culture + 0.331 Internal Control

Referring to equation one the following can be noted:

- For every 1% increase in audit culture, governance will increase by 50.7 %
- For every 1% increase in internal control, governance will increase by 3.1 %

X. REGRESSION ANALYSIS TWO: RELATIONSHIP BETWEEN AUDIT CULTURE, INTERNAL CONTROL AND AUDIT QUALITY

The variables audit culture and internal control scored R (0.561). This indicates that 56.1 percent of the factors addressed in this model influence audit quality and that the other 43.9 percent of variables are not addressed. This model has just a 31.5 percent R², meaning there is only a 31.5 percent strength between the independent and dependent variables.

After regression analysis to verify research hypotheses, an error margin of 5 percent was used to examine the link between variables. Error margins are < 0.05 for all variables, including the independent variables and audit quality.

Since all variables scored a significance level lower than 0.05, the alternative hypotheses are accepted, and the null hypotheses are rejected. Equation (2) is formulated as follows:

$$Y = A + BX1 + BX2 \quad (2)$$

Audit Quality = 1.628 + 0.512 Audit Culture + 0.423 Internal Control

This leads us to the validation of the below hypotheses: (2) led to the following:

For every 1% increase in audit Culture, Audit Quality will increase by 51.2 %.

For every 1% increase in Internal Control, Audit Quality will increase by 2.3 %.

TABLE VIII: MODEL SUMMARY

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.561 ^a	0.315	0.307	0.91484

Predictors: (Constant), Audit Culture, Internal Control and Audit Quality

TABLE IX: REGRESSION TWO

	Standardized B	Sig.
(Constant)	-	0.000
Audit Culture	0.512	0.000
Internal Control	0.423	0.004

Dependent Variable: Audit Quality

XI. DISCUSSION OF FINDINGS

A. The Impact of Audit Culture on Governance

Financial statements may be trusted more fully because the auditing process improves auditing culture and practices. Most audits are conducted to ensure that financial resources are managed effectively on stakeholders' behalf. Auditing is crucial to both fiscal responsibility and sound financial management.

An audit's principal objective is to ascertain whether or not a company's financial records, including its budget, are following governing rules and regulations. It assesses how well money is being used and checks that norms are being adhered to. Auditing is an effective method for ensuring that all financial resources are managed transparently and accountable.

To the best of our knowledge, an internal audit involves examining the organization's financial records, such as the amounts received and spent, the purposes for which the money was used, and whether or not the money was spent following established policies and procedures, board decisions, or donor requirements.

This paper also includes suggestions for improving the company's financial systems and procedures. Independent and financially dependable auditors tend to come from larger auditing firms. As recommended by the authors, managers who want high-quality audits should look for audit firms with impeccable reputations and ethics. The study concluded a connection between responsible corporate management and thorough audits. Moreover, his analysis demonstrated that reliable audited financial statements are directly proportional to the high quality of their auditors.

Audited financial statements attest to a high level of fiscal discipline. A financial audit has been found to increase financial accountability. They argue that an audit ensures that the justifications for monetary adjustments made by authorities are sufficient. Audit services inform the bank's management on how well the institution performs concerning financial accountability and highlight areas where responsibility might be increased. Based on the previous findings, the first hypothesis was developed as follows:

H1: There is a significant relationship between audit culture and governance.

B. The Impact of Internal Control on Governance

An efficient internal control system is essential for a successful audit of a company's financials. By acting as a system of checks and balances between management and workers, internal control systems are crucial for ensuring

financial data integrity. The results demonstrated that internal controls deter management and staff members from making careless decisions and participating in fraudulent activities, maintaining the integrity of the financial accounts.

The results showed a strong correlation between an effective internal control system and fiscal accountability. In addition, the study found that the internal control components' environment, activity, and supervision of controls had a more substantial influence on financial responsibility than risk assessment, information, and communication. Integrity in financial dealings may be significantly bolstered by using effective internal control mechanisms.

These experts argue that a more responsible approach to money may be achieved by developing and implementing effective internal control mechanisms. To be fiscally responsible, it's crucial to have a system of internal controls in place. All aspects of financial management, including budgeting, reporting, auditing, and monitoring, play a vital role. One of his recommendations is updating the internal control system to promote fiscal responsibility.

Thus, based on these findings, the second hypothesis was developed as follows:

H2: There is a significant relationship between internal control and governance.

C. *The Impact of Audit Culture on Audit Quality*

Following predetermined standards, an audit of high quality will result in a credible audit report. The quality of an audit is enhanced when the auditor has work experience, professional competence, motivation, responsibility, and objectivity. Findings indicate that an audit's quality is improved when the auditor is autonomous, knowledgeable, careful, and answerable. There is a positive correlation between audit quality and professional skill, independence, and enthusiasm. According to the study's conclusions, an auditor's work experience, independence, neutrality, honesty, and professionalism contribute to the audit's overall quality. Working raises a person's conduct since it is a learning process and increases the possibility of developing good behavior through formal and non-formal education. A worker with more job experience is better equipped to identify and fix the sources of mistakes. The knowledge and skill of the auditor make a difference in the audit's accuracy.

Ability to use auditing knowledge and skills to conduct an audit thoroughly, accurately, and objectively. The quality of your audits will increase in proportion to your level of expertise. The level of knowledge and skill typified by the "competency" variable negatively correlates with the time required to complete an auditing process. There is a positive correlation between auditor personality types and audit quality and factors such as the presence of an internal control center, the company's ethical culture, and the audit team's rules. This statement cannot be applied to auditing ethics since international standards provide specified obligations.

Due to the ever-changing nature of the global economy, national business cultures and practices vary widely. Ethical norms take different forms in different countries, but the threats to objectivity are universal. The process standard requires a standard aim to be repeated throughout time, making it hard for the standard to adjust to expectations

imposed on auditor quality adequately. Accordingly, the following hypothesis was developed:

H3: There is a significant relationship between audit culture and audit quality.

D. *The Impact of Internal Control on Audit Quality*

Audits are an organized and disciplined approach to evaluating and optimizing the efficiency of risk management, control, and governance practices. An audit is essential to every business since it reviews internal controls and determines how vulnerable the company is to potential threats.

That's why the upper echelons of management have established policies and practices to guide operations and ensure the company's success. This process is implemented so stakeholders may be certain that organizational objectives will be realized with some degree of confidence. An audit's primary function is to identify areas of vulnerability, after which countermeasures may be developed.

Auditing and internal control systems have a strong, positive relationship. The study notes that auditing to evaluate and monitor operations leads to greater fiscal responsibility. The analyst suggests that the firm continue using the control system if it wants to be successful. Internal controls are the responsibility of the audit committee. The audit committee of a corporation supervises the financial reporting process. The firm's financial management and external auditors regularly review the company's financial statements, auditing procedures, and internal controls. The standard of the audit is reflective of the standard of internal controls. A well-designed system of internal controls should reduce the need for random checks throughout the audit. Internal control effectiveness was also shown to positively affect audit quality and detect material misstatements and distortions in their study. Financial reporting may provide credibility. Accordingly, the following hypothesis was developed:

H4: There is a significant relationship between internal control and audit quality.

XII. SUGGESTIONS FOR FUTURE RESEARCH

In light of the research results, we propose the following. Management at Lebanon's financial institutions will collaborate to devise a foolproof system of checks and balances. Administrators who provide bank risk assessment and solid corporate governance may aid in maximizing the effectiveness of internal control systems. Better company management that cuts down on unnecessary use of organizational resources might boost Lebanese banks' bottom lines. Therefore, if management uses internal control methods to steer the company's goals and activities, the company will have a robust quality management system. Internal auditors will do routine checks on the reporting and compliance processes to guarantee that the systems are managed efficiently and correctly.

XIII. RESEARCH CONTRIBUTIONS

This study's findings shed light on the connection between strong internal controls and good governance in Lebanon's

banking sector. Senior management will focus on organizational compliance, the internal control system and monitoring methodologies, effective corporate governance, risk assessment, quality assurance, and independent forensic investigation since these are all prerequisites for an independent audit role. The chance of management undermining internal controls designed to identify and prevent fraud will decrease, and a more positive culture will result. Both managers will check that sufficient internal procedures are in place to safeguard corporate property. To ensure the board and management have confidence in the efficacy and reliability of the present protections, the internal audit function will do regular assessments of the whole system of internal controls. The design of internal control systems will benefit significantly by considering the moderating effect of government policy. For instance, a billing management system would include control mechanisms flexible enough to adjust to changes in government policy, such as raising or lowering prices or taxes.

CONFLICT OF INTEREST

Authors declare that they do not have any conflict of interest.

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