AN INVESTIGATION INTO FACTORS AFFECTING THE INTERNAL AUDIT EFFECTIVENESS: A SURVEY ON THE LIBYAN COMMERCIAL BANKS

BY

HASAN MUSBAH ABURABE (814463)

Thesis Submitted to
Othman Yeop Abdullah Graduate School of Business,
Universiti Utara Malaysia,
in Partial Fulfillment of the Requirement for the Master of Science (International Accounting)
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ABSTRACT

The purpose of this study is to investigate the factors affecting an internal audit effectiveness (IAE) in the Libyan commercial banks. Therefore, this study employed a quantitative method through convenience sampling survey. To achieve objectives of the study, questionnaires were distributed online to 113 Libyan commercial banks. Eighty questionnaires were retrieved back from the internal auditors in the banks at the response rate of 70.8%. The data was analyzed through Statistical Package for Social Sciences (SPSS). The result showed direct relation effects of management support, organizational independence of internal auditors, competence of internal auditors and audit experience with the IAE within the Libyan commercial banks. According to the regression output, management support has significant and positive contribution for the IAE, while the other three variables: the organizational independence of internal auditors, competence of internal auditors and audit experience have shown positive relation with the IAE, however their contribution for the IAE are statistically insignificance. The whole four independent variables provide 52.8% of the contributions for IAE in the Libyan commercial banks. The variables have collective significance in identifying any non-compliance activities and could also add values for the IAE in the Libyan commercial banks.

Key Words: Internal Audit; Libyan commercial banks; internal audit effectiveness; determinants of internal audit effectiveness.
Audit dalaman telah menjadi satu fungs i yang penting dan diperlukan dalam sesebuah organisasi bagi melindungi aset dan mencapai matlamat mereka. Tujuan kajian ini adalah untuk mengkaji faktor yang mempengaruhi keberkesanan audit dalaman (IAE) di bank-bank perdagangan Libya. Kajian ini menggunakan kaedah kuantitatif melalui kajian persampelan mudah. Bagi mencapai objektif kajian ini, soal selidik telah diedarkan ke 113 bank-bank perdagangan di Libya. Lapan puluh soal selidik telah diambil kembali dari juruaudit dalam bank-bank pada kadar respons 70.8%. Data dianalisis melalui Pakej Statistik untuk Sains Sosial (SPSS). Hasil kajian menunjukkan terdapat hubungan secara langsung di antara sokongan pengurusan, kebebasan organisasi juruaudit dalaman, kecekapan juruaudit dalaman dan pengalaman audit dengan keberkesanan audit dalaman di bank perdagangan Libya. Hasil output regresi menunjukkan sokongan pengurusan memberikan kesan yang signifikan dan positif dalam keberkesanan audit dalaman di sektor awam manakala tiga pemboleh ubah lain: organisasi bebas juruaudit dalaman, kecekapan juruaudit dalaman dan pengalaman audit telah menunjukkan hubungan positif dengan IAE bagaimanapun, sumbangan mereka untuk IAE adalah tidak significant secara statistik. Seluruh empat pembolehubah bebas menyediakan 52.8% daripada sumbangan untuk keberkesanan audit dalaman di pejabat-pejabat sektor awam. Pembolehubah yang terkandung mempunyai kepentingan kolektif dalam mengenal pasti apa-apa aktiviti tidak patuh dan juga boleh menambah nilai untuk IAE di bank-bank perdagangan Libya. Secara keseluruhannya empat pemboleh ubah bebas tersebut telah menyumbang 52.8% kepada keberkesanan audit dalaman di pejabat-pejabat sektor awam.

**Kata Kunci:** Audit dalaman; Bank perdagangan Libya; keberkesanan audit dalaman; penentu keberkesanan audit dalaman.
ACKNOWLEDGEMENTS

In the name of ALLAH, the most gracious, the most merciful. Praise be to ALLAH, the creator and custodian of the universe. Salawat and Salam to our Prophet Muhammad, peace and blessings of ALLAH are upon him and to his family members, companions and followers.

First and foremost, I would like to express my heartfelt thanks and gratitude to Allah S.W.T for His blessing and allowing me to complete this project.

In completing this research, I would like to acknowledge the intellectual sharing of many great individuals.

My foremost gratitude goes to my supervisor; Dr. Mohd Atef MD Yusof, for their professional guidance and devoting their expertise and precious times to guide me to reach this level. Thank you, for all that you did.

Additionally, I would like also to express my gratitude and thanks to my friends for their constructive comments and invaluable suggestions.

Undoubtedly, this thesis would have been impossible to complete without the assistance of the internal auditors of Libyan banks in the data collection stage.

To my father, mother, brothers, sisters and all my family members, thank you so much for your support and prayers.
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<td>Internal Audit</td>
</tr>
<tr>
<td>IAE</td>
<td>Internal Audit Effectiveness</td>
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<tr>
<td>MS</td>
<td>Management Support</td>
</tr>
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<td>OI</td>
<td>Organizational Independence</td>
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<td>AC</td>
<td>Audit Competence</td>
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<tr>
<td>AE</td>
<td>Audit Experience</td>
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<tr>
<td>ISPPIA</td>
<td>International Standards for the Professional Practice of Internal Auditing</td>
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<tr>
<td>GPCC</td>
<td>General People’s Committee for Control</td>
</tr>
<tr>
<td>SAB</td>
<td>State Accounting Bureau</td>
</tr>
<tr>
<td>LGPC</td>
<td>Libyan General People’s Congress</td>
</tr>
<tr>
<td>IPC</td>
<td>Institute of Public Control</td>
</tr>
<tr>
<td>GPCMA</td>
<td>General People Committee for Management Audit</td>
</tr>
<tr>
<td>GPCFA</td>
<td>General Peoples Committee for Financial Audit</td>
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<tr>
<td>IIA</td>
<td>Institute of Internal Auditors</td>
</tr>
<tr>
<td>IFAC</td>
<td>International Federation of Accountants</td>
</tr>
<tr>
<td>GAAP</td>
<td>Generally Acceptable Accounting Principles</td>
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<td>IAS</td>
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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The professional practice of Internal Audit (IA) was initiated in 1941 in USA. The early Internal Audit or in 1950, the professionals only focused on financial audit which was far away from financial statement. In the recent years the organizations were being declared bankrupt due to an increase number of accounting scandals that solely focuses only on financial audit. Afterwards, the IA function has received a great deal of attention as it had been playing an important contributing role in effective and quality financial reporting and corporate governance practice (Prawitt, Smith, & Wood, 2009). In spite of the importance of IA effectiveness, there has been very limited research carried out that concentration on the problem of Internal effectiveness and the diverse method used to explore the Internal Audit effectiveness (Al-Twajry, Brierley, & Gwilliam, 2003). Therefore, it is appropriate that the factors that influence the effectiveness of IA should be identified as effective IA as it will leads to the improvement in the operations within an organization.

Since 1941, the development and enhancement in the professional structure of internal audit is due to the Institute of Internal Audit that played an important role (Yee, Sujan, James, & Leung, 2008). Furthermore, Internal Audit (IA) has played a critical role within organization and the professional standards of internal auditing are not widely applied in Libya as well as the Institute of Internal Auditors does not exist in Libya (Abuazza, Mihret, James, Best, & Martinov-Bennie, 2015).
The contents of the thesis is for internal user only
References


Pungas, Krisi. (2003). Risk assessment as part of internal auditing in the government institutions of the Estonian Republic. EBS REVIEW, 42.


