

The Relationship between Internal Audit Factors and the Audit Quality: Insights from External Auditors of Bangladesh

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Abstract

The purpose of this study is to investigate the perceptions of external auditors regarding internal audit factors on audit quality to ensure the effectiveness of the audit process. This study also measures the influence of different internal and external audit attributes on audit quality. The study is descriptive in nature and both quantitative and qualitative data have been collected and analyzed to examine the insights of external auditors concerning the impact of internal audit competency, objectivity, and work performance on the effectiveness of audit quality. This study considers a convenience sampling method in collecting data and a semi-structured questionnaire referring to possible attributes of auditing has been given to the external auditors and requested to provide their valuable judgments with seven response choices on the level of importance of each indicator for audit quality. The results of the study highlighted that audit attributes like standardization, work performance, timeliness, objectivity, and competency are highly important measures of audit quality. The results also reveal external auditors prefer educational qualifications with professional certification of internal auditors can enhance the competency function while auditors' accountability, freedom to access all financial aspects, and unconstrained communication with management will ensure the objectivity of internal auditing. According to the findings, external auditors believe that proper documentation, adequate staffing, a well-defined audit plan can improve the work performance of internal auditing. The study also recommends that the concerned shareholders and other policymakers of organizations improve the effectiveness of internal auditing for strengthening their decision-making capability to make the financial reporting accurate and error or bias-free.

Keywords: Internal auditing, External auditing, Audit quality.

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1. Introduction

Auditing is an integral part of the accounting profession to find out poor accounting practices and minimize the credibility gap in financial reporting. High audit quality refers to the absence of material misstatements in financial reporting. The effectiveness of audit quality depends on how precisely and accurately an auditor can detect a financial falsification and ensure material deficiencies of financial statements are addressed and communicated through the audit report. Organizations need to ensure high audit quality by satisfactorily completing all tasks required by the firm's audit methodology in compliance with professional accounting and auditing standards (Knechel *et al.* 2012). Sometimes the internal audit report is not sufficient to maintain the audit quality, companies, then appoint external auditors to review internal audit reports with professional standards to measure the actual financial health and maintain the highest standard quality of financial reports.

Felix *et al.* (2002) stated that external auditors required internal auditing reports either to get an insider knowledge of business operations or to reduce their workload. The degree of dependency of the external audit on internal auditing varies on the standards, methods, and regulations covered by the internal audit report (Brown 1983; Schneider 1985; Margheim 1986; Al - Twaijry *et al.* 2004). The effectiveness of an internal audit report can be considered by several factors (Abdel-Khalik & Wragge 1983; Edge & Farley 1991; Messier & Schneider 1988) and standards. The International Auditing Standards (ISA) section 610 puts a strong emphasis on factors, namely objectivity, competence, and work performance of internal audits may improve the audit quality. External auditors also review the internal audit reports to find out poor quality audit results and improve the audit quality by measuring determinants of internal audit i.e., competency, work performance, and objectivity (Deis & Giroux 1992).

Since its establishment, the International Accounting Standard Committee regulates and monitors universally accepted accounting standards and discloses how well-developing countries like the UK and the USA adopt and implement these regulations (Judge *et al.* 2010). But there are several findings of studies that find that these IASs based on Anglo-Saxon accounting models, portray the American leadership (Hoarau 1995) in the accounting profession and however unsuitable for developing and under-developing countries (Larson & Kenny 1998; Hove 1990). Despite these views on unsuitability, Bangladesh is trying to adopt IASs applicable to both domestic and multinational companies (working in Bangladesh) to fulfill accountability and transparency, responsibility toward loan/aid receiving agencies, and the government as well (ICMAB 2003). Bangladesh

Corporate Governance Code (2018) indicated to establish good governance in a company, it should have an independent audit committee and this committee would be held responsible for fair representation of the company's financial matters and assure monitoring as a control governance mechanism. This standard also signifies the role of internal auditors in executing general auditing procedures throughout the year to ensure that all recordkeeping of accounts is being done appropriately so that the external audit becomes more feasible in generating qualified audit reports.

External auditors always rely on internal audit work performance to achieve audit efficiency to present reliable financial reports (Mihret & Admassu 2011). External auditors try to minimize the audit risk in the audit report and maintain audit quality in providing a true and fair financial statement. An external audit is an efficient process in the control of financial risks by getting feedback from internal audit reports. In this context, the internal audit process should be ensuring internal control with inspection, documentation, and verification of all internal audit evidence. External auditors provide their experienced opinion regarding the truthfulness of a company's financial statements and perform monitor systems in the internal auditing of a company. External auditor utilizes approved auditing standards and procedures to reach an ethical opinion about financial statements that are presented honestly and fairly in accordance with the rules of professional care (Khalil *et al.* 2021). The interaction between internal and external audits clarifies significant monitoring mechanisms for ensuring efficacy and efficiency in generating accurate financial reports. By joint planning and coordination, external auditors utilize the competence, objectivity, and work performance of internal auditors to ensure audit quality in financial reports. External auditors' reliance on internal audits helps to achieve significant efficiencies in communicating planned objectives of financial reports and ensuring timeliness on audit reporting with high quality by avoiding misstatements and duplications. The current study, therefore, demonstrates the reasons why effective auditing is necessary for an organization and what internal audit factors i.e., objectivity, competence, and work performance may influence the effectiveness of audit quality that perhaps, increase the reliability of external auditors, management, shareholders and other decision-makers on the fair financial reporting system.

2. Objective of the Study

This study tries to examine and recognize the perceptions of external auditors regarding how the audit quality of a firm is influenced by various internal audit factors. The other objectives of the study are as follows

- a) To measure the substantial attributes of auditing and how these factors ensure the effectiveness of audit quality.
- b) To provide a set of recommendations that will help the authority and regulators to identify the major factors to improve the auditing standard.

3. Review of the Literature

3.1 An Overview of Audit Quality

The concept of audit quality originated with so many controversies. Many researchers have tried to determine the quality of an audit process (Abdullatif & Kawuq 2015; Christensen *et al.* 2015) but then again, the argument lies in how to define and what measures should be taken. The perception of audit quality mostly is subject to the views of the stakeholders of the financial reporting process i.e., auditors, investors, creditors, shareholders, management, and society concerning what standards are used to develop the audit report, moreover which indicators influence the quality of auditing (Knechel *et al.* 2012). The person conducting the audit (both internal and external auditor) signifies the audit quality on the adequate completion of all the audit functions governed by the regulatory body whereas the external users are concerned about the misrepresentation of the financial items. The audited firm needs to ensure the effectiveness of audit quality to strengthen its corporate governance mechanism, internal control, and accountability to its decision-makers. A society eventually considers a high-quality audit report as an essential tool to detect numerous economic challenges for a firm and to protect the industry from those challenges as well. Thus, the Financial Reporting Council (2008) disclosed that there is no concrete benchmark against which audit quality can be measured.

Several regulatory bodies have tried to measure the major determinants of audit quality and the Government Accountability Office (2003) stated that by following Generally Accepted Auditing Standards (GAAS) audit quality could be assured and it could also testify that audited financial reports and disclosures have met all standards and regulations governed by Generally Accepted Accounting Principles (GAAP). This implies that audit quality relies on whether the audit has been conducted in accordance with the standards and financial statements are free from errors or biasness. The commonly used definition of audit quality was given by L.B. DeAngelo in 1981. The author's insight on the quality of audit service depends on the auditor's competency in identifying a breach in the accounting system and presenting that gap in the audit report (Elizabeth DeAngelo 1981). This study indicates that the audit quality depends on the auditors' scientific knowledge, audit procedures, and independence given from the client to examine and report all the substantial facts. Palmrose (1988) specifies the major objective of an auditor is not only limited to identifying and reporting the misstates but also restricting

and preventing these misstates by providing valuable judgments.

There are several studies conducted on different approaches to detect the audit quality and find that amount of audit work is directly related to the objectivity of the audit report (Carcello *et al.* 2010). Others indicate that audit quality could be measured by the size of the audit firms because larger firms come with larger reserves (Soliman & Salam 2012). Larger and well-established audit firms can invest in hiring qualified auditors, training auditors to improve skills as well as in better expertise, resources, and advanced technologies. The degree of audit quality could also be influenced by the auditor's fee and other incentives offered by the client firm (Schatzberg & Sevcik 1994; Beeler & Hunton 2002). In summary, there are no certain indicators to measure the quality of audit services. This study used a semi-subtracted questionnaire by implementing some applied indicators from prior works of literature to measure the audit quality (Alsukker 2014; Chen *et al.* 2009; Carcello & Palmrose 1994; Christensen *et al.* 2015).

3.2 Relationship between Internal Audit and External Auditing

The importance of using internal monitoring as a part of corporate governance mechanism in recent years is highlighted to ensure the effectiveness of financial reporting systems and to restrict fraudulent dispositions of financial matters. Auditing can be served as a monitoring device to rationalize the accuracy, objectivity, and fairness of the information provided for financial reporting. (Mcconomy 2010). Both internal and external auditing aided the management in the process of control mechanism to safeguard its financial information and improve the efficiency of financial analysis (Sarens & Beelde 2007). Internal audit is performed to support the organization in evaluating financial accuracy, monitoring the corporate governance system (Singh & Newby 2010), forecasting potential financial risks (Ramamoorti *et al.* 1999), and consulting control strategies (Leung *et al.* 2003). The organization required independent thoughts about the firm's financial assessments, fairness in financial reporting, and accuracy of accounting standards from an individualistic view, the external auditing (Ahmad & Alrabba 2017). Although, internal auditing performs distinct functions from external auditing, both required to add distinct standards, expertise, skills to evaluate the quality of financial reporting.

Moreover, many researchers in their studies have tried to indicate the interconnected function of internal auditing with external auditing to determine the audit quality in financial reports (Munro & Stewart 2011; Al-Sukker *et al.* 2018; Pilcher *et al.* 2013; Alsukker 2014). The findings of such studies found coordination among the board of audit committees, internal auditing, and external auditing ensures the reliability of corporate financial analysis and reporting (Blue Ribbon Committee 1999). After getting all the information about the firm's financial performance from the management throughout the year, testifying and verifying by both the internal and external audits, boards of directors then make valuable decisions regarding the organization (Fan & Wong 2004; Jensen & Meckling 1976; Blue Ribbon Committee 1999). Thus, the linkage between the internal audit work with external auditing is crucial in measuring the effectiveness of the corporate governance system (DeZoort *et al.* 2002).

There are a set of professional standards established by the American Institute of Certified Public Accountants to provide a guide to external auditors regarding analyzing financial statements, and audit reporting on the Statements on Auditing Standards (SAS) (Storey 1986). SAS No. 65 focused on the historical development of the working relationship between internal and external auditors' functions (Reinstein *et al.* 1994). Past reports and documents produced by the internal auditors work as insights into the organization's business functions, regulations, and standards considered in the accounting system. External auditors could also take assistance, advice, or counsel internal auditors which may save their costs and time as well (Munro & Stewart 2011). The internal audit report provides an understanding of the firm's audit functions and works as an assistant to the external auditor to examine whether the accounting and audit practices fulfilled international standards or not (Reinstein *et al.* 1994). Moreover, the level of work required from external auditors determined by the internal auditors may affect the objectivity of external auditing (Schneider 1985). Haron (1996) conducted a study on the quality of a payroll internal control system in the UK. After comparing the insights taken from both internal and external auditors, the study found no significant difference between their evaluations. The findings of that study also suggest that external auditors need the internal audit report to understand the overall environment of firms audited, but they can also evaluate the quality of that internal audit report and give vulnerable considerations. Thus, coordination and communication among internal and external auditors ensure portraying the factual representation of financial performance and analysis (Auditing Standard ASA 610 2009; Brody & Lowe 2003; Felix *et al.* 2002).

3.3 The Impact of Internal Audit Factors on the Quality of Audit Process

Internal auditing function performed by a firm to measure the effectiveness of the analysis of financial statements from a neutral perspective. In the mid-1990s, Hald (1944) advised in his book on the necessity of internal auditing in this modern corporate world. After analyzing the incidents such as those of Enron and WorldCom, events like bankruptcies, irregularities in financial reporting, and other fraudulent activities were

raised from a lack of an effective internal monitoring system and control mechanism (Schneider 2003). Schneider (2003) also highlighted the importance of increased security, the need for internal auditing in such big corporations, and also a strict monitoring system to defend the firm's accounting system from such unlawful activities. The Institute of Internal Auditors (2004) states that the internal audit should be executed independently, assess financial risks, and outline the best possible strategies to face and overcome those risks. Thus, internal auditing engages functions i.e., evaluating, assuring, recommending, and consulting after examining all the given information of an organization's operation. That is, internal auditors first evaluate all necessary information on business activities and assuring the adequacy of corporate governance and control procedures. After that, they assist the management how to convert governance risks into opportunities to sustain in a challenging economy. Therefore, the effectiveness of internal auditing is depended on how well an internal auditor can access all financial data (objectivity), use his educational qualification, expertise, and experience (competency) to prepare an audit report (work performance), and the extent to which the management, shareholders can rely (accuracy) on the audit process which additionally provides guidance (reliability) to the external auditors as well (Alsukker 2014). Thus, it can be said that internal audit factors like objectivity, competency, work performance, accuracy, reliability ensure the quality of the audit process of an organization.

A study conducted by Brown (1983) focuses on the assessment of competency of internal auditors on several criteria including education, technical skills, emotional intelligence, critical thinking, communication, professional skepticism, etc., and found that with other qualities an accounting and auditing professional certificate can enhance the competency of an internal auditor. This is because an internal auditor is responsible for evaluating the accounting procedures and standards of an organization's financial reporting and the professional certification can add value to skills and knowledge of better understanding of the oversight of corporate governance mechanism and audit process (Soliman & Salam 2012). Margheim (1986) highlights in his study that the quality of internal auditors can be enhanced by a proper recruitment process, continuous training program, educational and professional degrees which in return increase the quality of the audit process.

Internal auditors should be independent both in terms of collecting data on business operations and proving recommendations because of their accountability function. According to the ASA (2009), objectivity in internal auditing is essential to ensure that the auditor has the freedom to access all necessary business transactions, and the information presented on the audit report is accurate, consistent, and free from errors or biasness because they held accountable to the board of audit, management, and external auditors. Moreover, the objectivity of internal audit ensures impartial communication channels among the board of audit committee, management, and external auditors which also certifies them the results of audit work reflect the accurate state of financial performance of the firm (Leung *et al.* 2007). Leung (2007) also concludes that objectivity and integrity help an internal auditor to make a rational judgment regarding the gathering, examining, testifying, representing the audit report, and monitoring corporate governance.

Internal audit work performance can be measured by the degree to the extent professional skills have been exercised and internationally accepted audited principles have been followed which in return ensure the accuracy and reliability of the audit services. Thus, it is essential for internal audits to have professional knowledge of accounting and auditing standards in order to detect any falsification in financial reporting which also signifies the audit quality. They also need to develop a proper audit plan to perform all audit works accurately and according to the international standards (Internal Auditing (SPPIA) no. 1220 2012). IIA standard number 2240 (2004) clarifies that internal auditors must have adequate resources and documents to justify their functions and decisions regarding internal control and audit report.

It can be decided from given audit literatures and standards that the internal audit factors i.e., competency, objectivity, and work performance act as indicators of measuring the effectiveness of the audit report (Krishnamoorthy & Maletta 2016; Ahmad & Alrabba 2017) and also the quality of the audit process (Auditing Standard ASA 610 2009). Though, there are inconsistencies found in several studies on the degree of effectiveness among these internal auditing functions. Al- Twaijry (2004) focuses on the competency and independence functions of internal audit which ensures the significant relationship between internal and external auditing. The study found that the higher the internal audit report covered the competency and objectivity functions, the more likely external auditors to rely on internal audit performance. Furthermore, work performance is found the least significant factor in measuring the internal audit functions and the reliability of external auditors on the quality of the audit process (Maletta 1993; Suwaidan & Qasim 2010).

Therefore, concentrating on the outcomes of the extensive literature, the following hypothesis was developed:

- H₁: Internal audit competency has a significant effect on audit quality.
- H₂: Internal audit work performance has a significant effect on audit quality.
- H₃: Objectivity of internal auditor has a significant effect on audit quality.

4. Methodology of the Study

The study was descriptive in nature and both quantitative and qualitative data have been collected and analyzed to satisfy the objective. A semi-structured questionnaire has been used to collect the data for the study. A set of questionnaires was sent to the selected external auditors through mail and email. A few questionnaires were filled-up by the face-to-face interview methods. The target population was the external auditors of the audit firms located in Dhaka and Sylhet, Bangladesh. In this study convenience sampling (non-probability sampling technique) was used. The sample size of the research was 193.

The research has been conducted from October 2021 to January 2022 and the pre-test of the questionnaires was performed in October 2021. The external auditors who participate in the study are not coerced in any form and all of the information remains anonymous. The collected data of the study were reviewed and analyzed after collection and coded through the Statistical Package for the Social Science 25.0 for Windows.

5. Result and Discussion

5.1 Demographic Profile of the External Auditors

The study carried out on 193 external auditors in Bangladesh provides their insights regarding what internal audit factors enhance the effectiveness of audit quality through a semi-structured questionnaire. This descriptive statistic provides the demographic profile of the external auditors in frequency and percentage value. The frequency and percentage values summarize information collected from different categories of auditors concerning their gender, educational qualification, major concentration areas, roles and responsibilities performed in audit inspection, and their overall years of expertise in audit practicing.

Table 1: Demographic Features of the External Auditors

	Frequency	Percent
Gender		
Male	185	95.9
Female	8	4.1
Total	193	100
Educational Qualification		
Bachelor	41	21.2
Masters	68	35.2
Professional (CA, CMA etc.)	44	22.8
Doctoral	5	2.6
Others	35	18.1
Total	193	100
Major in Concentration		
AIS	87	45.1
Finance	69	35.8
Business and Management	30	15.5
Others	7	3.6
Total	193	100
Role in Audit Inspection		
Staff assistance audit	53	27.5
Senior assistance audit	57	29.5
Manager	50	25.9
Partner	33	17.1
Total	193	100
Years of Experience in Auditing Practice		
Less than 1 year	30	15.5
1-5 years	90	46.6
6-10 years	52	26.9
More than 10 years	21	10.9
Total	193	100

Table 1 represents that, the majority of the auditors 95.9% are male, while only 4.1% are female. That is, female in Bangladesh is less likely to have auditing as their profession. Most of the auditors have completed their highest level of education in master's degree 35% and get professional certification on CA, CMA, etc. 23%. The other category is given with the response that 18% of the auditors have both their master's and professional degrees. In terms of major specialization or concentration area, near half of the auditors 45% are practicing audit in accounting & information systems area, while 36% are major in finance, 15% in business and management, and only 4% of auditors majored in other specialization are (i.e., economics, information systems, etc.). Most of

the auditors serve as seniors (29%) and staff (27%) assistance in audit inspection, and 26% of auditors work as a manager while 17% of auditors are as a partner. Auditors' experience in the audit industry focuses that 47% of auditors practicing audit between 1 to 5 years, 27% between 6 to 10 years, 15% are practicing audit for less than a year, and around 10% of auditors are in the audit business for more than 10 years. Thus, it is noted that a total of 85% of auditors are experienced in the audit practice.

5.2 Attributes of Audit Quality

Table 2: Attributes of Audit Quality

Audit Attributes	Mean	Std. Deviation
International standard	6.44	0.741
Empirical Evidence	4.38	1.577
Timeliness	5.43	1.273
Work performance	5.75	1.124
Risk Assessment	4.46	1.212
Planning	4.55	1.723
Level of challenge	4.69	1.413
Scientific knowledge	4.63	1.543
Competency	5.30	1.284
Objectivity	4.89	1.264
Consultancy	3.97	1.224

Table 2 represents the mean values and standard deviations of different attributes of audit which increases the quality of the audit process. The mean values of audit attributes ranged between scores 4 and 6, indicating that most of the auditors found these attributes are either "Important" or "Moderately Important" to improve the audit quality. The table indicates that external auditors strongly believe that the audit must ensure all international standards (Mean 6.44 and Std. Deviation 0.741) have been fulfilled throughout the audit inspection and reporting. On the contrary, auditors' judgment on consultancy services (Mean 3.97 and Std. Deviation 1.224) has the lowest importance on the audit quality. External auditors considered that their major responsibilities are mostly associated with the inspection and justification of the accounting standards are reflected on the financial statements. It is the collaborative responsibility of the audit board, management, and shareholders to finalize decisions about the company. audit. It is also observed that auditors prefer work performance (Mean 5.75 and Std. Deviation 1.124), timeliness (Mean 5.43 and Std. Deviation 1.273), and competency (Mean 5.30 and Std. Deviation 1.284) attributes of the audit influence the audit quality. The objectivity attribute (Mean 4.89 and Std. Deviation 1.264) also tends to be an important factor when measuring the quality of audit performance.

5.3 Mean and Standard Deviations of Internal Audit Factors

Table 3: Mean and Standard Deviations of Internal Audit Factors

	Mean	Std. Deviation
Competency		
Education	5.40	1.319
Training	4.41	1.344
Experience	3.93	1.522
Professional certification	4.87	1.338
Recruitment Process	3.63	1.397
Objectivity		
Accessibility	5.21	1.350
Communication with internal users	5.18	1.239
Communication with external users	4.54	1.262
Independency	5.06	1.173
Accountability	5.81	0.854
Work performance		
Documentation	4.57	1.039
Staffing	3.05	1.355
Audit plan	3.64	1.119
Internal control	4.56	1.030
Use of AIS	4.18	0.856
Reliability	4.20	0.897

Table 3 represents all means and standard deviations of different characteristics of the internal audit competency, objectivity, and work performance that ensure the quality of audit service. The findings revealed

that among all the features of internal audit competency, external auditors prefer internal auditors should be highly educationally (Mean 5.40 and Std. Deviation 1.319) qualified to ensure the quality of audit work. If the internal auditors are not educationally qualified enough to know all the standards and regulations regarding accounting processes and audit works, then their testification on the financial matter creates no value to the organization. Besides that, internal auditors are educationally qualified they should also have professional certification (Mean 4.87 and Std. Deviation 1.338) in accounting and auditing to ensure standardization and specialization in the audit services. The external auditors also suggest that the skills and expertise of internal auditors should be developed by continuous training programs (Mean 4.41 and Std. Deviation 1.344) to update themselves with changing business economy.

Based on the external auditors' response, internal auditors are held accountable (Mean 5.81 and Std. Deviation 0.897) for the fair representation of all financial items to all decision-makers. Internal auditors should have the freedom to access (Mean 5.21 and Std. Deviation 1.350) and to communicate with the management (Mean 5.18 and Std. Deviation 1.239) in order to get a clear image of the accurate financial performance of a company. The internal audit department should be separate and independent (Mean 5.06 and Std. Deviation 1.173) from all other departments to complete the audit work impartially and error-free.

External auditors' perceptions of internal audit work performance are found relatively less important than other features of competency and objectivity. Internal audit work should be properly documented (Mean 4.57 and Std. Deviation 1.039) to ensure the accuracy and integrity to support auditors' conclusions. Additionally, internal control (Mean 4.56 and Std. Deviation 1.030), reliability on (Mean 4.20 and Std. Deviation 0.897) the audit report, and use of accounting information systems (Mean 4.18 and Std. Deviation 0.856) are also important measures for higher audit quality.

5.4 Regression and Collinearity Statistics

In this section, the test of the hypothesis was conducted. The hypothesis was devalued based on the extensive literature and this hypothesis answers the research question of the study. The questionnaire scales are summated and averaged to get new composite variables that were used in the analysis to test the hypotheses. The regression assumptions were tested and verified, and no violations were detected using the transformed composite data scores. Correlation analysis was accomplished at the first step to detect basic relationships between the dependent variable and the predictors.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.564 ^a	.318	.308	.28315

a. Predictors: (Constant), Objectivity, Work Performance, Competency

Here the Pearson's correlation among audit quality and objectivity, work performance, competency is given ($r = 0.564$). R square = 0.318 which implies that only 31.8% of the audit quality is explained by objectivity, work performance, competency.

Table 5: AVOVA Test

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.081	3	2.360	29.439	.000 ^b
	Residual	15.152	189	.080		
	Total	22.233	192			

a. Dependent Variable: Audit_Attributes/Audit Quality

b. Predictors: (Constant), Objectivity, Work Performance, Competency

The above table depicts that at a significant level of 0.05, objectivity, work performance, competency result in better audit quality.

Table 6: Regression and Collinearity Statistics

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	3.629	.266		13.657	.000		
	Competency	.103	.027	.266	3.772	.000	.723	1.384
	Work Performance	-.045	.045	-.062	-1.011	.314	.970	1.031
	Objectivity	.272	.050	.385	5.406	.000	.712	1.404

a. Dependent Variable: Audit_Attributes

The regression results highlighted that there is a negative association which is statistically not significant between the work performance of internal auditors and the audit quality ($\beta = -0.45$, $p = .314$). According to the coefficient of determination, there is a strong positive relationship between objectivity and audit quality. The coefficient of objectivity is 2.72 significant (when $P = .000$), and there is also a strong positive relationship between competency and audit quality. The coefficient of objectivity is .103 significant (when $P = .000$). The value of the overall correlation coefficient (R) for the model was 0.564, which value is statistical significance and indicates the degree of function correlation statistically between independent variables of the dependent variable, and the value (R Square) is 0.318, as indicated by the value of the coefficient of determination for the overall model, adjusted R-square equal 0.308, a statistically significant value that explains the ability of independent variables in the model to influence the dependent variable if applied on the whole population “true population value”.

6. Recommendations and Conclusion

The world is currently facing global economic instability and major financial scandals by big corporations (Schneider 2003). In this challenging business environment shareholders, management, and other decision-makers may not be convinced by the audit services and comply with the auditors' speculations as in other times. Bangladesh is facing many challenges like the high unemployment rate, high-priced commodities, low salaries, insufficient employment, and so on but companies need to improve productivity by safeguarding their financial resources (Naisbitt *et al.* 2021). Effective auditing can recover productivity and operational services by restricting fraud and error (Al - Twaijry *et al.* 2004), measuring risks (Asare & Wright 2004; Coetzee & Lubbe 2016), improving corporate control mechanisms (Rachagan & Satkunasingam 2009), and formulating strategies to overcome the financial crisis (Stewart & Subramaniam 2010; Christopher *et al.* 2009) and economic challenges. The following steps may help organizations to improve their audit quality:

- Audit attributes particularly standardization, competency, objectivity, work performance, timeliness is important to consider while measuring the constructiveness of audit quality. Organizations may consider these attributes to enhance the audit quality while planning for an effective audit system.
- It is important for any organization to perform and report audit work within a certain period, which may cause shareholders, the audit board, and other decision-makers to lose their reliability of the audit quality.
- External auditors perceive that companies in Bangladesh should maintain international standards in both accounting systems and auditing while measuring and preparing their financial performance and statements. That is, auditing should conclude all the internationally accepted auditing principles and standards to ensure the reliability and accuracy of audit work. Organizations may hire qualified auditors with professional certification to ensure the literacy of internationally established audit standards are being considered and reflected in audit services and audit report as well.
- In order to ensure the quality of audit performance, auditors need to assess all the possible financial risks associated with the company and demonstrate an appropriate level of challenge to meet those risks. Companies must upgrade internal audit work performance, which may perhaps complement their entire audit work and also increase the reliability of audit reports by external auditing.
- Companies may need to implement a well-defined audit structure, annual audit plan, and adequate staffing to improve the work performance of internal auditing which might secure the reliability of audit services to shareholders and other stakeholders. In doing so, organizations can improve audit quality and attest that their financial reporting portraying all material disclosures, is unbiased, and reliable to make pragmatic decisions.

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