

Internal Audit Reporting Effectiveness in Contexts of Superficial Compliance: A Multi-Theoretical Approach

Prof. Dr. Prem Lal Joshi

(Former Professor of Accounting; Currently, Editor in Chief of International Journal of Auditing and Accounting Studies (IJAAS)

(Email: prem@acadjoshi.com)

Abstract

Examining the influence of various factors on internal auditing reporting effectiveness in a superficial compliance environment is the prime objective of this empirical study. The effects of internal audit execution, audit behaviour and ethics, organisational culture, governance, and monitoring on the quality of internal auditing reporting were examined in a survey of 218 respondents, which included accountants and internal auditors. One control variable was the type of industry. In this study, three theories—the Agency, Institutional, and Social Identity theories—were connected and used. LinkedIn members who work as accounting and auditing professionals were able to take part in the survey by completing a self-made questionnaire that was made available online via Google Forms. After eliminating outliers, 58 replies from a 28.0% response rate were used for the study. Internal auditing reporting effectiveness (IARE) was found to be positively and significantly impacted by the variables "audit behaviour & ethics" and "governance & monitoring", according to the results of multiple regression analysis. 29.8% of the EIAR variance was explained by the model, indicating the possibility of additional study. The research responses showed no signs of autocorrelation or multicollinearity. The results support theories of social identification, agency, and institutionalism. It is recommended by this ground-breaking study that practitioners consider governance and ethical frameworks when designing an internal audit reporting system. Additionally, the study's limitations, implications, and future research directions are included in the study.

Keywords: Superfluous Compliance, Internal Audit Execution, Audit Behaviour and Ethics, Organisational Culture, Governance and Monitoring, Type of Industry

References

- Abbott, L. J., Parker, S., & Peters, G. F. (2016). Internal audit assistance and external audit timeliness. *Auditing: A Journal of Practice & Theory*, 35(4), 1–24.
- Adusupalli, B. (2025). *The role of internal audit in enhancing corporate governance: A comparative analysis of risk management and compliance strategies*. *MSW Management Journal*, 34(2), 818–831.
- Almilia, L. S., & Kristijadi, E. (2019). The effectiveness of internal audit: Evidence from Indonesia. *International Journal of Economics and Financial Issues*, 9(3), 129–137.

Alves, I., Limão, M., & Lourenço, S. M. (2024). Work overload, work-life balance and auditors' turnover intention: The moderating role of motivation. *Australian Accounting Review*, 34(1), 4–28.

Alzeban, A., & Gwilliam, D. (2014). *Factors affecting the internal audit effectiveness: A survey of the Saudi public sector*. *Journal of International Accounting, Auditing and Taxation*, 23(2), 74–86.

Arena, M., & Azzone, G. (2009). *Identifying organizational drivers of internal audit effectiveness*. *International Journal of Auditing*, 13(1), 43–60.

Audit Board. (2024). *Organizational Culture and Ethics Report*. Retrieved from <https://www.auditboard.com>

Bonrath, A., & Eulerich, M. (2024). Internal auditing's role in preventing and detecting fraud: An empirical analysis. *International Journal of Auditing*, 28 (4), 615-631

Clemens, E. S., & Cook, J. M. (1999). Politics and institutionalism: Explaining durability and change. *Annual Review of Sociology*, 25, 441-466.

Dellai, H., & Omri, M. A. (2016). Factors affecting the internal audit effectiveness in Tunisian organizations. *Research Journal of Finance and Accounting*, 7(16), 208–219.

DiMaggio, P. J., & Powell, W. W. (Eds.). (1991). *The New Institutionalism in Organisational Analysis*. The University of Chicago Press.

Eisenhardt, K.M. (1989). Agency theory: An assessment and review. *Academy of Management Review*, 14(1), 57–74.

Field, A. (2018). *Discovering statistics using IBM SPSS statistics* (5th ed.). SAGE Publications.

Foorthuis, R. (2020). *Tactics for internal compliance: A literature review*. arXiv. Retrieved from: <https://arxiv.org/abs/2008.03775>.

IESBA. (2024). *International Code of Ethics for Professional Accountants (including International Independence Standards)*. Part 4A, Section 400 and related application material. International Ethics Standards Board for Accountants.

ITPro Today. (2025). *From box-ticking to risk-tackling: Evolving your GRC beyond audits*. ITPro Today. Retrieved from: <https://www.itprotoday.com/regulatory-compliance/from-box-ticking-to-risk-tackling-evolving-your-grc-beyond-audits> .

Ghazali, A. W., Shafie, N. A., Ranran, C., & Sanusi, Z. M. (2024). Internal audit, internal control effectiveness, corporate governance structure and financial reporting quality: Investigating the internal line of defense of manufacturing firms in China. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 14(4), 262–281.

Glover, S. M., Prawitt, D. F., & Wood, D. A. (2021). Internal audit's role in enhancing the reliability of sustainability reporting. *Journal of Accountancy*, 232(5), 44–50.

Goodwin, J. (2003). The relationship between the audit committee and the internal audit function: Evidence from Australia and New Zealand. *International Journal of Auditing*, 7(3), 263–278.

Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2019). *Multivariate data analysis* (8th ed.). Cengage Learning.

Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2010). *Multivariate Data Analysis* (7th ed.). Pearson.

Hegazy, M. A. A., & Kamareldawla, N. M. (2024). The impact of audit review and related accountability on auditor performance: Evidence from an emerging economy. *Corporate Ownership & Control*, 21(2), 102–113.

Hegazy, M.A., & Farghaly, M. (2021). External and internal auditors' perceptions on compliance with internal audit standards and practices: Spirit versus letters? *Corporate Ownership & Control*, 18(3), 32 – 49.

Hermalin, B. E., & Weisbach, M. S. (1991). The effects of board composition and direct incentives on firm performance. *Financial Management*, 20(4), 101–112.

IIA. (2023). *International Professional Practices Framework (IPPF)*. The Institute of Internal Auditors. Retrieved from: <https://www.theiia.org>

IIA. (2017). *International Professional Practices Framework (IPPF)*. Institute of Internal Auditors.

Jameel, S.Z. M., Hamoody, K.M.T., & Shmam, M. (2024). The impact of independence, organizational commitment strategy, good governance, and role ambiguity on the performance of internal auditors. *Corporate and Business Strategy Review*, 5(4), 152-162.

Jensen, M. C., and Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3 (4), 305–360.

Joshi, Prem Lal., & Golrida, Karyawati, P. (2022). The institutional theory on the internal audit effectiveness: The case of India. *Iranian Journal of Management Studies (IJMS)*, 15(1), 35-48.

Kaplan, R. S., & Mikes, A. (2014). Towards a contingency theory of enterprise risk management. *Accounting, Organizations and Society*, 39(7), 548–570.

Khelil, I. B. (2022). The influence of work culture on the effectiveness of internal audit: A qualitative study. *International Journal of Accounting, Finance, Auditing, Management and Economics*, 3(5), 620–633.

Khezri, A., & Langrouri, G. H. (2025). *The Effect of Professional Ethics and Auditor Independence on Audit Report Quality*. ResearchGate. Retrieved from <https://www.researchgate.net/publication/391699078>

King, M. F., & Bruner, G. C. (2000). A social-desirability bias: A neglected aspect of validity testing. *Psychology & Marketing*, 17(2), 79–103.

Lenz, R., Sarens, G., & D'Silva, K. (2017). Probing the discriminatory power of characteristics of internal audit functions: Sorting the wheat from the chaff. *International Journal of Auditing*, 21(3), 287–306.

MacNeil, I., & Li, X. (2006). *Comply or explain: Market discipline and non-compliance with the Combined Code*. *Corporate Governance: An International Review*, 14(5), 486–496.

Meyer, J. W., & Rowan, B. (1977). *Institutionalized organizations: Formal structure as myth and ceremony*. *American Journal of Sociology*, 83(2), 340–363.

Pallant, J., (2010). *SPSS survival manual*. (4th ed.) McGraw Hill Education

Parluhutan, C. A., Ermawati, E., & Widystuti, S. (2022). *The influence of auditor ethics, auditor motivation, locus of control on audit quality: Role of professional skepticism*. *Universal Journal of Accounting and Finance*, 10 (1), 267–275.

PCAOB. (2024). *Staff Spotlight: Audit Firm Culture and Audit Quality*. Retrieved from <https://pcaobus.org>.

Pickett, K.H. Spemcer. (2013). *The Internal Auditing Handbook*. Wiley.

Podsakoff, P. M., MacKenzie, S. B., & Podsakoff, N. P. (2012). Sources of method bias in social science research and recommendations on how to control it. *Annual Review of Psychology*, 63, 539–569.

Power, M. (1997). *The Audit Society: Rituals of Verification*. Oxford University Press.

Pugliese, A. et al. (2025). *2025 North American Pulse of Internal Audit Survey*. Internal Audit Foundation & AuditBoard.

Xu, Y., Wu, X., Li, X., Xu, H., Li, C., Huang, P., Li, S., Ma, X., & Shan, J. (2024). *Smart Audit System Empowered by LLM*. Retrieved from: <https://arxiv.org/abs/2410.07677>.

Soh, D. S. B., & Martinov-Bennie, N. (2011). The internal audit function: Perceptions of internal audit roles, effectiveness and evaluation. *Managerial Auditing Journal*, 26(7), 605–622.

Sweeney, B., Arnold, D., & Pierce, B. (2010). *The impact of perceived ethical culture of the firm and demographic variables on auditors' ethical evaluation and intention to act decisions*. *Journal of Business Ethics*, 93(4), 531–551.

Tajfel, H., & Turner, J. C. (1986). The social identity theory of intergroup behavior. In S. Worchel & W. G. Austin (Eds.), *Psychology of intergroup relations* (pp. 7–24). Chicago: Nelson-Hall.

Tajfel, H., & Turner, J. C. (1979). An Integrative Theory of Intergroup Conflict. In W. G. Austin, & S. Worchel (Eds.), *The social psychology of intergroup relations* (pp. 33-37). Monterey, CA: Brooks/Cole.

Tepalagul, N., & Lin, L. (2015). Auditor independence and audit quality: A literature review. *Journal of Accounting, Auditing & Finance*, 30(1), 101–121.

Vadasi, C., Bekiaris, M., & Andrikopoulos, M. (2019). Corporate governance and internal audit: an institutional theory perspective. *Corporate Governance*, 20 (1), 175-190.

Yee, C. S., Sujan, A., James, K., & Leung, P. (2008). Perceptions of professional scepticism in external auditors: The impact of culture and audit experience. *Managerial Auditing Journal*, 23(1), 22–37.