

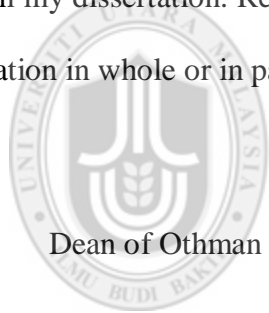
**AN INVESTIGATION INTO FACTORS AFFECTING THE INTERNAL AUDIT
EFFECTIVENESS: A SURVEY ON THE LIBYAN COMMERCIAL BANKS**



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 insignificant. 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.

ABSTRAK

Audit dalaman telah menjadi satu fungsi 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 daripada juruaudit dalaman di 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 signifikan 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.

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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.

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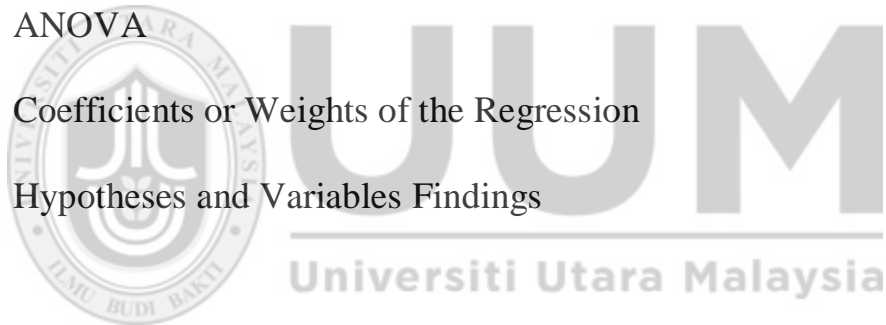
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LIST OF ABBREVIATIONS

IA	Internal Audit
IAE	Internal Audit Effectiveness
MS	Management Support
OI	Organizational Independence
AC	Audit Competence
AE	Audit Experience
ISPPIA	International Standards for the Professional Practice of Internal Auditing
GPCC	General People's Committee for Control
SAB	State Accounting Bureau
LGPC	Libyan General People's Congress
IPC	Institute of Public Control
GPCMA	General People Committee for Management Audit
GPCFA	General Peoples Committee for Financial Audit
IIA	Institute of Internal Auditors
IFAC	International Federation of Accountants
GAAP	Generally Acceptable Accounting Principles
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards

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-Twaijry, 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, Sujana, 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
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only

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