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**The Role of Internal Auditors to Attracts the
Stockholders in Erbil Banks**

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ABSTRACT

The exponential rise in globalization has transformed many sectors including internal auditing. Today's businesses are reliable on quality and standard internal reporting in order to attract both local and foreign Stockholders. Thus, it is vital for internal auditors to implement the standard international financial reporting scheme. The purpose of this study is to explore the role of internal audit in attracting Stockholders. To analyse this issue, the study developed a model with 4 constructs; experience internal auditors, standard or qualitative internal auditing reports, organizational productivity and attracting Stockholders. Data were collected from internal auditors working in different sectors (both public and private) and analyse using SPSS. Correlations between variables are evaluated based on descriptive statistics, Structure Equation Modelling (SEM), reliability, validity and regression analysis. The study's findings have shown that experienced internal auditors designed qualitative and standard internal auditing report which attract both foreign and local Stockholders compare to inexperienced internal auditors.

Key words: Internal Auditor; Financial Report; Stockholders, Organizations

ملخص

أدى الارتفاع المتسارع في العولمة إلى تحول العديد من القطاعات بما في ذلك التدقيق الداخلي. تعتبر الأعمال التجارية اليوم موثوقة من حيث الجودة والتقارير الداخلية القياسية من أجل جذب المساهمين المحليين والأجانب. وبالتالي ، فمن الأهمية بمكان أن يقوم المدققون الداخليون بتنفيذ نظام الإبلاغ المالي الدولي القياسي. الغرض من هذه الدراسة هو استكشاف دور التدقيق الداخلي في جذب المساهمين. لتحليل هذه القضية ، طورت الدراسة نموذجًا مكونًا من 4 بنيات ؛ خبرة المدققين الداخليين وتقارير المراجعة الداخلية المعيارية أو النوعية والإنتاجية التنظيمية وجذب المساهمين. تم جمع البيانات من المدققين الداخليين العاملين في مختلف القطاعات (العامة والخاصة) وتحليلها باستخدام برنامج SPSS. يتم تقييم الارتباطات بين المتغيرات بناءً على الإحصاء الوصفي ونمذجة معادلة الهيكل (SEM) والموثوقية والصلاحية وتحليل الانحدار. أظهرت نتائج الدراسة أن المدققين الداخليين ذوي الخبرة صمموا تقرير تدقيق داخلي نوعي وقياسي يجذب المساهمين الأجانب والمحليين على حد سواء مقارنة بالمدققين الداخليين عديمي الخبرة.

پوخته

بەرزبۆنەوێی رێژەیی جیھانگیری زۆریک لە کەرتەکانی گۆریوێ لەنیویاندا وردبینی ناوخوای بزنسەکانی ئەمڕۆ پشەت بە کوالیتی و راپۆرتکردنی ناوخوای ستاندارد دەبەستن بۆ ئەوێ هەردوو خواوەن پشکی ناوخوای و بیانی رابکێشن. بەم پێیە، زۆر گەرنگە بۆ وردبینی کەرانی ناوخوای کە پلانی ستانداردی راپۆرتکردنی دارایی نیوئەولەتی جیھەجی بکەن. ئامانج لەم لیکۆلینەوێیە لیکۆلینەوێیە لە رۆلی وردبینی ناوخوای لە راکێشانی خواوەن پشکەکاندا. بۆ شیکردنەوێی ئەم بابەتە، توێژینەوێیە مۆدیلێکی بە ۴ بنیات پەرەپیدا؛ ئەزموونی وردبینی ناوخوای، راپۆرتی وردبینی ناوخوای ستاندارد یان چۆنایەتی، بەرھەمھێنایی ریکھراوێی و راکێشانی خواوەن پشکەکان. داتاگان لە وردبینی کەرانی ناوخوای کۆکرانەوێی کە لە کەرتە جیاوازەکاندا کاردەکەن (ھەم حکومی و ھەم تاییەت) و بە بەکارھێنایی SPSS شیکرانەوێی. پەپھەندییەکانی ئیوان گۆراوێکان بە پشەبەستن بە ئاماری وەسفکەر، مۆدیلکردنی ھاوکێشە پیکھاتە (SEM) ، متمانەپیکردن، رەوایی و شیکاری پاشەکشە ھەلەسەنگیندریت. دۆزینەوێی توێژینەوێی دەریانخستووێ کە وردبینی کەرانی ناوخوای بە ئەزموون راپۆرتی وردبینی ناوخوای چۆنایەتی و ستانداردیان دیزاین کردووێ کە ھەردوو خواوەن پشکەکانی بیانی و ناوخوای رادەکێشن بە بەراورد بە وردبینی کەرانی ناوخوای بی ئەزموون.

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CHAPTER ONE

THE STUDY OVERVIEW

1. Introduction

Digitalization and globalization are among the 2 concepts transforming the 21st century workplace. effectiveness and productivity of organizations depends highly on both internal and external auditing. Financial report system has been on the front as the most relevant document for attracting both national and international Stockholders. Thus, these documents need to be prepared by qualified and experienced internal auditor in order to capture all the necessary requirements and protocols to be regarded as standard internal auditing report. Stockholders are highly concern about financial and internal reports documents in order to evaluate the organization and the potential of investing in the organization. Therefore, organizations should focus solely on employing professional internal auditors which are crucial for luring Stockholders into investing in the organization (Sarens, 2009; Moorthy et al., 2011).

Internal Auditing is an integral process of every organization. it serves various functions such as ensuring an organization hold on to their procedures, review process in order to ascertain organizational protocols are followed as well as organizational mission and vision are in place and the organization is working toward achieving it outlined goal (Sawyer, 1993; Ramamoorti, 2003). Internal auditing also provides an organization with areas that need improvement by assessing every element of each department within the organization and suggesting new procedures and how they can be apply to solve identified problems. There has been debate about how often should internal auditing should take place. Some professionals recommend a daily internal auditing using internal auditing matrix while some suggest internal auditing on weekly basis. However, internal auditing provides a framework and references to external audit (Allegrini & D'Onza, 2003; Leung et al., 2006).

The main role of Internal Auditors (IAs) is to examine operational and management system and process of an organization to acquire valuable information to assess whether system is fully functional (i.e., operating effectively) or there are various faults that need to be control or modify. IAs use internal auditing report to document review of organization audit. The report is

designed based on different sections which includes; auditor's name, date of the report, procedures reviewed, records checked and outcome. IAs use the report to review procedures and when changes are identified, a nonconformance is raised. It is also the work of IAs to rewrite or update old procedures when it becomes outdated by locating and amending through "documented management system manual".

Internal auditing report and financial statements reports are the 2 main document that form the job content of internal auditors. These documents are valuable to Stockholders interested in markets and offers them the major understanding of all operations of the organization. Designing these reports according to international standards will create a concise, transparent and credible reports. However, based on the international standards for reporting and financing, standard audited financial reports certify reliability of information to foreign and local Stockholders. According to Berry & Robertson (2006), audited financial reports and individual interviews are the 2 most reliable and accurate sources of organizational data which Stockholders rely upon. Apart from analysis and Stockholders, other professions interested in standard and qualitative report that may trigger their investment decisions are suppliers, creditors, other firms or organization and customers

The regulation behind internal auditing varies from one country to another. For example, in Japan and USA, private organizations operate without the need of making their financial report statement public or any legal requirements of the documents. However, in countries within the European unions are made mandatory to present their financial reports to the public view. Thus, organizations that are categorized as major commercial companies according to the law bound to fill up financial statements. Audited financial report is a necessary requirement in developing countries like Erbil, the report is crucial in gaining confidence of potential Stockholders, convincing them to invest in equity of private organizations or to invest in the form of loan, grant or consultancy (Leung et al., 2006; Lenz & Sarens 2012).

1.1 Statement of Problem

Internal auditing report and financial statements reports are the 2 main forms that are valuable to Stockholders interested in markets and provides them with the fundamental knowledge of all operations of the organization. Preparing these reports based on the guidelines of international standards will create a concise, transparent and credible reports. Nevertheless, based on the international standards for reporting and financing, standard audited financial reports certify reliability of evidence to foreign and local Stockholders. According to Berry & Robertson (2006), audited financial reports and individual interviews are the 2 most reliable and accurate sources of organizational data which Stockholders rely upon. Companies that lack these reports will have high likelihood of attracting less Stockholders.

1.2 Aim and Objectives

Aim: The main aim of this study is to analysed the role of internal auditors and audited financial statement reports in attracting both national and international Stockholders.

As indicated from the title of this study, it aims at achieving the following study objectives as follows;

- To evaluate the relationship between internal auditors and internal auditor reports in terms of attracting Stockholders.
- To evaluate the relationship between internal auditors and internal auditor reports in terms of organizational performance.
- To recommend companies on the impact of auditor's opinion and reputation in attracting both foreign and local Stockholders.

1.3 Research Questions

1. How does the internal auditors and their reports impact the attraction of stockholders, both nationally and internationally?
2. In what ways does internal auditors and their reports affect organizational performance?
3. What recommendations can be made to companies regarding the impact of auditors' opinions and reputation on attracting both foreign and local stockholders?

1.4 Significance of the Study

The study focuses on evaluating the role of internal auditing in attracting Stockholders. However, other construct plays a significant role as fundamental variables such as preparation of standard and quality internal auditing report. One of the main objectives of preparing audited reports according to International Standard for Reporting and Funding (ISRF) is to provide credible, precise and transparent report which is crucial in raising capital turnover and trade globally. This is because Stockholders and dealers are interested in business they understand and evaluated.

1.5 Structure of the Report

This report is categorized into 5 parts; chapter 1 presents an overall background and introduction on Internal auditing and the role of financial reports, followed by detail statement of problem, aims and objectives, research questions and significance of the study. The second chapter titled literature review highlighted the opinions and views regarding the significance of audit report to Stockholders as well as the quality of the report and related findings. The research methodology is outlined in chapter 3 where research design, sample and population, survey questions, collection of data, research tools and data analysis approaches are discussed. Chapter 4 discuss about the outcome of the analysis based on descriptive statistics, correlations, regression and validity. The report is closed in chapter 5 with conclusion and contribution of the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter discuss about the role of audited financial reports and the role auditors plays in promoting the decision making of Stockholders. The chapter also highlighted about external parties such as banks, customers, suppliers and analyst who are interested in the report. The role of auditors in financial reporting has been a widely researched topic in the accounting and auditing literature. Financial reporting is a critical component of corporate governance and plays a crucial role in maintaining the confidence of investors and other stakeholders in the financial statements. The role of auditors in ensuring the reliability and credibility of financial statements has become increasingly important in recent years, particularly in light of high-profile financial scandals.

2.1 Internal Audit

Attracting Stockholders has been a major challenge faced by many organizations, companies, enterprises, industries and firms. Many scholars have analysed the role of internal auditing based on countries, region or continental basis or other categorizations such developed, developing countries, G8, middle Eastern Countries, United Kingdom, Sub-Saharan African etc. and how the report offers various benefit to external auditors and Stockholders (Fallatah, 2008).

For foreign Stockholders, the requirement of audited financial report, internal auditing and external auditing are undisputed, regardless of the country of investment. Salehi (2010) demonstrated the impact of auditing report which serve as a basis to Stockholders for making decision in his study which focused on auditor's opinion as intermediate source of information regarding the company to external users such s Stockholders, lenders and analysts. A study conducted by the institute of chartered accounting in Australia (2005) revealed the role of auditors in designing reports which presents their (his or her) opinion on the accuracy and reliability of the information presented in the reports (i.e., whether the report presents accurately the financial state of the company). The study has shown that auditors increase the reliability of

the reports or statement and increase confidence of Stockholders and other end-users of financial statements reports.

2.2 Empirical Studies and Hypothesis Development

In an attempt to evaluate the role of internal auditing in promoting decision-making of Stockholders, Gomez (2003) generated data from structured questionnaires administered to internal auditors in and interviews with existing Stockholders. The study adopted different evaluation measures such as descriptive statistics, exploratory factorial analysis (EFA), confirmatory factor analysis and the use of IBM SPSS to analysed the data. The study's findings indicated a positive correlation between role plays by internal auditors in drafting audited reports which provides a basis to Stockholders and aid in their decision-making.

Briozzo & Albanese (2020) evaluated auditing and voluntary contracting based on Small and medium enterprises (SMEs) in different countries with high economy and population within South America which include Mexico, Argentina, Columbia and Brazil. The data is evaluated based on comparative descriptive analysis (bivariate analysis) by employing student t-test and Pearson test for 2 variables. The result shows that for enterprises relieved from mandatory auditing, audited financial report has a positive effect on access to loans from banks as well as suppliers (based on % of working capital economics) and Stockholders (based on fixed asset investment).

The study conducted by Magembe, Sethibe & Kitindi, (2007) aim to evaluate the benefit of annual audited report statement to lenders within Botswana and the prospect of evaluating the impact of the financial statement information to users. The study acquired data from interviews conducted with 7 lenders and the study's findings revealed the high requirement of audited financial statements reports in enhancing lenders decision-making. The study also shows that formal lenders in Botswana are more concern with audit report as a significance element in their lending decision making compare to other items or reports.

The constant auditing of companies by internal auditors helps in controlling and managing of organizations internal control system (Ghosh, 2007). According to Broadly (2006), auditing ensures reliability of financial statements report by minimizing risk and uncertainty. Duréndez (2003) view internal auditing report as a relevant information which is highly useful to

Stockholders for decision making. However, Elorrieta (2002) stressed the needs of accurate financial report to business and Stockholders which in this context, internal auditing plays a major role in designing and attracting potential Stockholders. While according to IFAC (2014), based on lenders and investor's prospective, the most vital elements which are integral are audit report, relevance of audit result and auditor's reputation.

According to Moradi et al., 2011, auditor's report is a vital means of effective communication between auditors and financial statement report's users. In the financial statement, auditors may highlight unqualified opinion when he or she perceive there is problem in the operation of the organization and may also present qualified opinion if he or she perceive other issues. Identifying a reason for concern especially when financial statements is not design according to international standard is one of the fundamental duties of internal auditors (Asare & Wright, 2012).

The study conducted by Moradi et al., 2011 based on evaluating the connection between auditor's opinion, stock prices and value return in Iran. The study's findings have shown that auditor's opinion is very significant for parties that are interested in investing in the organization but no significance correlation with stock price and value return.

The hypothesises are put forward according to the assumption of the significance of audited report in attracting both local and foreign Stockholders. Based on these studies, the following hypothesis is put forward:

H1: *Quality of audited report has a significance relation with auditor's reputation, experience and qualification.*

H2: *There is a positive correlation between attracting Stockholders and the role of internal audits.*

H3: *Reputation and experience of internal auditors are significance in attracting Stockholders.*

2.4 Role of Auditors in Financial Reporting:

Auditors play a significant role in the financial reporting process. They provide an independent and objective opinion on the financial statements, which enhances their credibility and reliability. The primary role of auditors is to provide reasonable assurance that the financial statements are free from material misstatement, whether due to fraud or error. Auditors achieve this through a rigorous and systematic audit process, which involves obtaining sufficient and appropriate audit evidence to support their opinion.

2.5 Factors Affecting the Role of Auditors in Financial Reporting:

Several factors influence the role of auditors in financial reporting. One such factor is the legal and regulatory framework governing auditors' work. The laws and regulations define the scope of auditors' work, their duties, and responsibilities. Another factor is the level of audit quality, which is influenced by factors such as auditor independence, expertise, experience, and ethical behaviour.

2.6 The impact of Audit Quality on Financial Reporting:

Audit quality has a significant impact on financial reporting. High-quality audits enhance the reliability and credibility of financial statements, leading to increased investor confidence. Conversely, low-quality audits can result in inaccurate or misleading financial statements, leading to a loss of investor confidence. Several factors contribute to audit quality, including auditor independence, expertise, experience, and ethical behaviour.

2.7 Independence of Internal Audit

The influence of internal auditing on the organizational performance of the main Jordanian banks is the topic of the study (Burhan Omar, 2018). 364 personnel were chosen for the study and had data gathered using distributed questionnaires; the responses were then analyzed using multiple regression. Organizational performance was the dependent variable, while internal audit was employed as an independent variable. The data analysis showed that internal audit had a considerable influence on most banks' organizational performance. The researcher recommended that auditors and organizations in Jordan that regulate the audit profession pay closer attention to whether audit standards are being followed, particularly those that deal with internal audit and place strict requirements on auditors' obligations to identify fraud in financial transactions and statements.

Goodwin and Yeo (2013) examined independence and objectivity that can have an impact on internal audit. First off, there is a connection between the audit committee and internal audit, which has an impact on organizational independence. Second, utilize the position as a management development environment. It is explained how internal auditors may be hesitant to oppose pressure from an audit, which may impact separate objectivity. In order to establish current practice in these domains and identify the correlation between these factors, an analysis of chief internal auditors in Singapore was predicated. The study revealed a significant correlation between the internal audit committee and the internal audit function. The amount of interaction appeared to be higher when the audit committee was made up exclusively of independent directors.

2.8 Internal Control

Ejoh and Ejom (2014) selected the Cross River College of Education as the location of their study and present the relationship between internal control activities and financial performance in Nigerian tertiary institutions. The researchers relied on interviews in addition to using questionnaires to gather data. The outcome demonstrates that there was control action. The analysis shows that all college activities are started by the senior management. The analysis also demonstrates that there is a significant relational gap between the institution's high-level executives and its Accounting and Finance department with regard to control operations. The report also reveals that yearly financial statements were audited by an external auditor. Even while the institution rigorously adheres to the guidelines of the yearly budgets submitted by the various departments, the controls are not set up effectively, which leads to spending that is excessive or accruing debt. The study recommended that management set up a scheduled training for employees on control mechanisms.

2.7 Conclusion:

In conclusion, the role of auditors in financial reporting is crucial in ensuring the reliability and credibility of financial statements. The factors affecting the role of auditors in financial reporting include the legal and regulatory framework, audit quality, and the auditors' expertise, independence, and ethical behaviour. It is essential for auditors to uphold high standards of audit quality to maintain investor confidence and promote the integrity of financial reporting. Further research is needed to explore the impact of these factors on audit quality and financial reporting.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter discuss about the research design based on the 2 main approaches; quantitative and qualitative based method. The chapter also discuss about survey/questionnaire development, research participants as well as the presentation of the study's model. Moreover, the chapter discuss about the research tools utilized and the method of data analysis.

3.1 Research Design

Research design refers to the direction taken in obtaining answers to the research questions based the study's adopted method. As stated by Marczyk, DeMatteo & Festinger, (2005), research design offers detailed steps of the data collection, sampling process and analysis. Qualitative and quantitative approaches are the 2 main techniques of generating or collecting data for research purposes and hypothesis testing. In this study, both approaches are utilized. The qualitative approach is implemented via literature review of secondary resources (such as journals, reports, books and online sources) to gather scholar's and professional or expert's opinions, research findings, suggestions, links and other relevant information. Structured-based questionnaire method is implemented as quantitative approach for gathering primary source of data. Another vital approach is data collection based on interviews; however, it is not feasible due to the current pandemic, limited time, travel expenses and diverse locations of targeted respondents. Due to these challenges, the questionnaires are sent through emails and responses were gathered within 2 weeks' time after sending reminders via emails and social media.

3.2 Survey Development

The survey is divided into 4 parts; the first part concentrated on respondents' demographics based on gender, age variations and level of education. The second part focused on the company's operations and specialization as well as ownership type. The third part focused on auditing system while the final part focused on auditor's reputation and how it plays a vital role in attracting both foreign and local Stockholders

3.3 Research Participants

The survey targeted 51 private and public companies in Erbil which based their operations according to auditing of organization's internal operations and financial reports according to the standard of IFRS. Among these 51 companies, 22 are funded by either foreign dealers or Stockholders or both foreign and local Stockholders simultaneously. In terms of respondents, 120 (92.3% response rate) from 130 participants from the 51 companies participated in the survey.

3.4 Research Model

The study's model was designed based on Structural Equation Modelling (SEM) to test the outline hypothesis. Structural Equation Modelling (SEM) is also one of the tools of interest to researchers in all disciplines and is particularly mandatory for social science researchers (Martínez-López, Gázquez-Abad, & Sousa, 2013; Tenenhaus, 2008). The model is composed of various constructs such as internal auditing report, experience and reputation of internal auditors, general performance of the organization and attracting Stockholders as shown in figure 3.1.

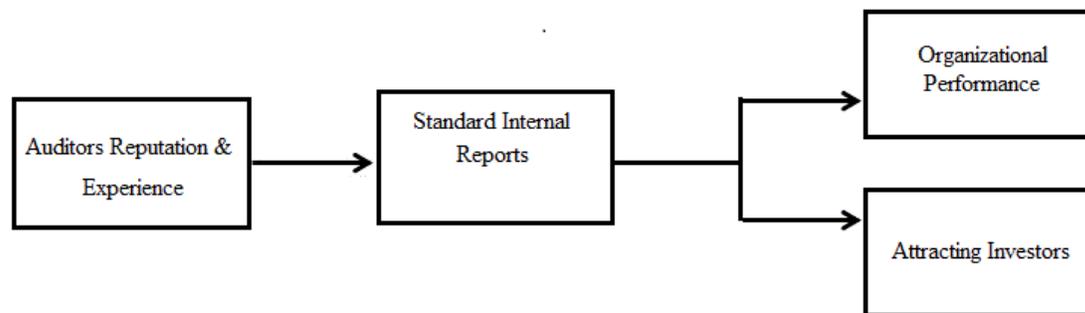


Figure 1: The Study's Model

3.5 Research Tools and Data Analysis

Research tools are fundamental component of every research as they provide researchers with interpretation of the outcome of the data analysis (Ali & Bhaskar, 2016). Adopting the research tools are crucial for generating valid, accurate and reliable outcomes (Krauss, 2007). In this study, data are generated from structured questionnaire which are processed using IBM SPSS. The fitness of the model was assessed according to fit measurement and data generated are processed based on composite reliability and discriminant validity. Descriptive statistics based on means and standard deviation (SD) are presented to show variability in the research findings.

CHAPTER FOUR RESULT AND DISCUSSION

4.0 Introduction

The studies main Objectives is to evaluate the role of internal auditors in attracting Stockholders. The study's outcomes are presented in the form of tables and Figures where each construct is presented separately. The study analysed demography of the respondents in the first part followed by characteristics of organizations, result generated from survey questions based on frequency and percentages and descriptive statistical measurement which include standard deviation (SD), reliability, validity and the outcome of Regression Analysis (RA).

4.1 Demographical Characteristics of Respondents

4.1.1 Gender

As mentioned earlier, 130 questionnaires are distributed in 51 companies which resulted in 120 (92.3% response rate). In terms of gender distribution, 87 (72.5%) are males and 33 (27.5%) are females as shown in Table 4.1 and Figure 4.1

Table 1: Gender distribution of Respondents

Classification	Frequency	Percentage (%)
Male	87	72.5
Female	33	27.5
Total	120	100

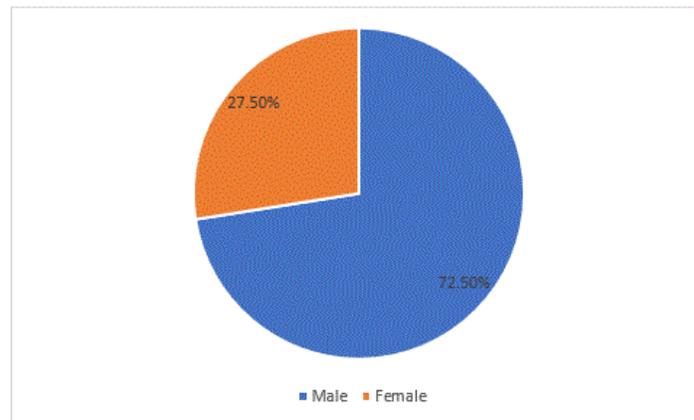


Figure 2: Gender Distribution of Respondents

4.1.2 Age

In terms of age variation, 27 (22.5%) are less than 25 years of age, 54 (45%) are between 25 to 40 years and 39 (32.5%) are older than 40 years as shown in Table 4.2 and Figure 4.2

Table 2: Age Variation of Respondents

Classification	Frequency	Percentage (%)
<25	27	22.5
25-40	54	45.0
>40	39	32.5
Total	120	100

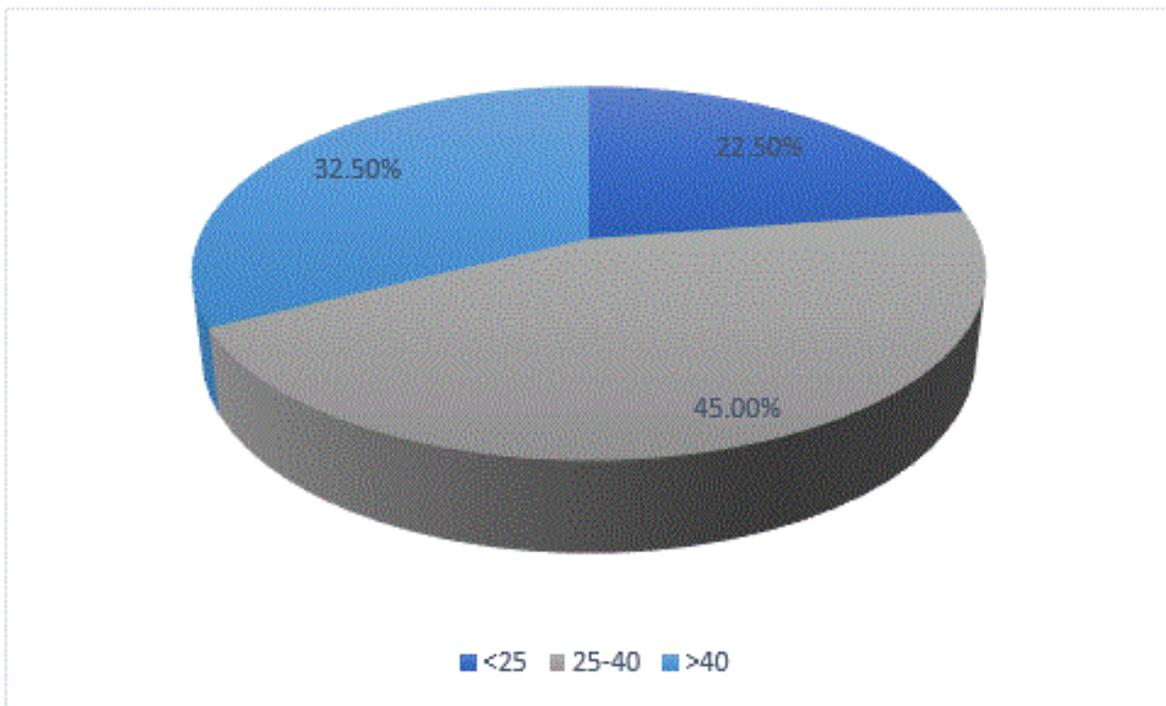


Figure 3: Age Distribution of Respondents

4.1.3 Educational Level

In terms of educational level, 74 (61.6%) have bachelor certificate, 32 (26.6%) have master's certificate and only 14 (11.6%) has doctorate certificate as shown in Table 4.3 and Figure 4.3

Table 3: Educational Level of Respondents

Classification	Frequency	Percentage (%)
Bachelor (BSC)	74	61.6
Masters (BSC)	32	26.6
Doctorate (PhD)	14	11.6
Total	120	100

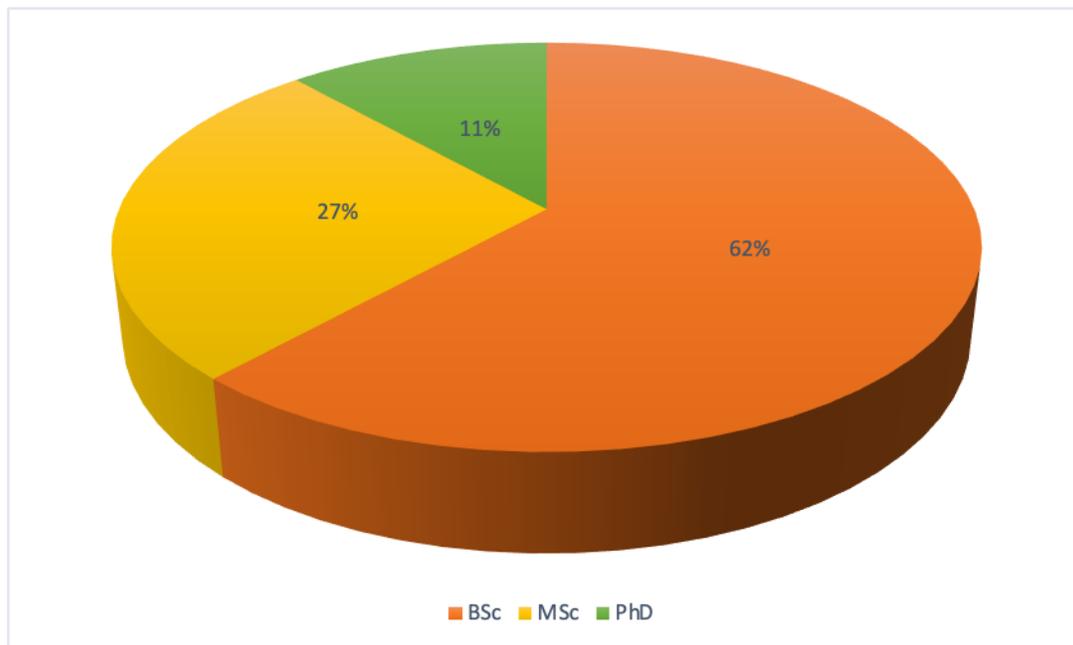


Figure 4: Educational Level of Respondents

4.1.4 Specialization

In terms of Respondents specialization, 24 (20%) are Accounting Technician (AT), 39 (32.5%) are Certified Accountant (CA), 30 (25%) are Certified Auditor (CAD), 18 (15%) are Statutory Accountant (SA) and 9 (7.5%) are neither as shown in Table 4.4 and Figure 4.4

Table 4: Specialization of Respondents

Classification	Frequency	Percentage (%)
Accounting Technician	24	20.0
Certified Accountant	39	32.5
Certified Auditor	30	25.0
Statutory Accountant	18	15.0
None	9	7.5
Total	120	100

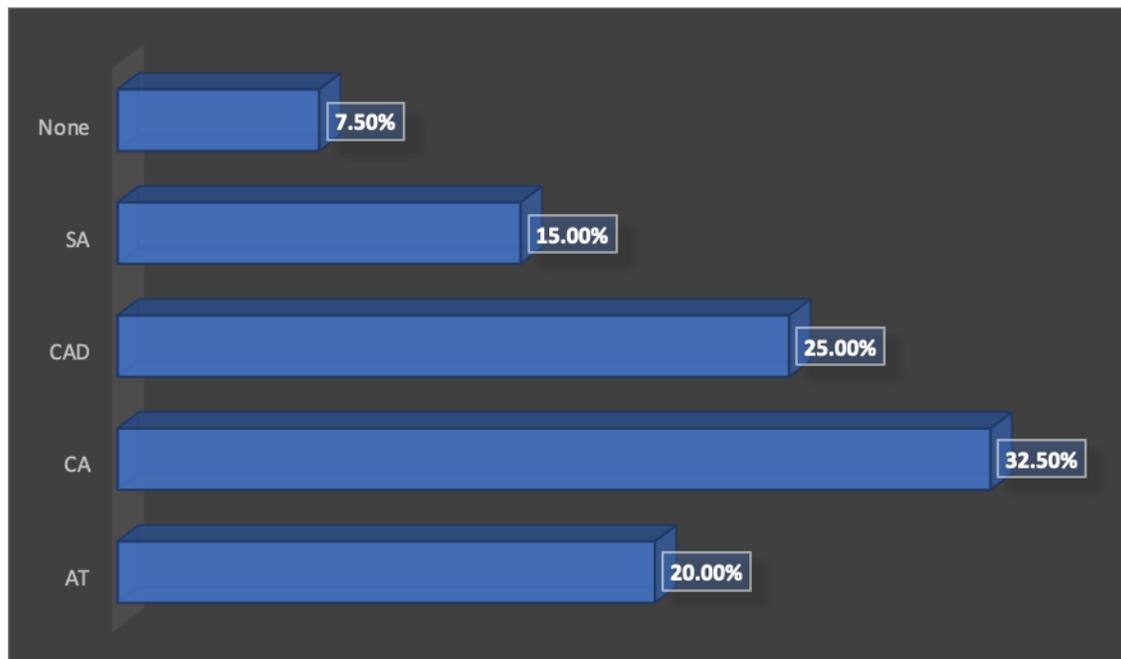


Figure 5: Specialization of Respondents

4.2 Characteristics of Companies

4.2.1 Classification of companies based on operations

In terms of operations, 10 (19.6%) operated as transportation companies, 16 (31.2%) operated as communication company, 14 (27.4%) operated as automotive companies, 8 (15.7%) operated as food and agricultural companies and 3 (5.9%) belong to others as shown in Table 4.5 and Figure 4.5

Table 5: Classification of companies based on operations

Classification	Frequency	Percentage (%)
Transportation (TP)	10	19.6
Communication (CM)	16	31.2
Automotive (AM)	14	27.4
Food and Agric (F&A)	8	15.7
Others (O)	3	5.9
Total	51	100

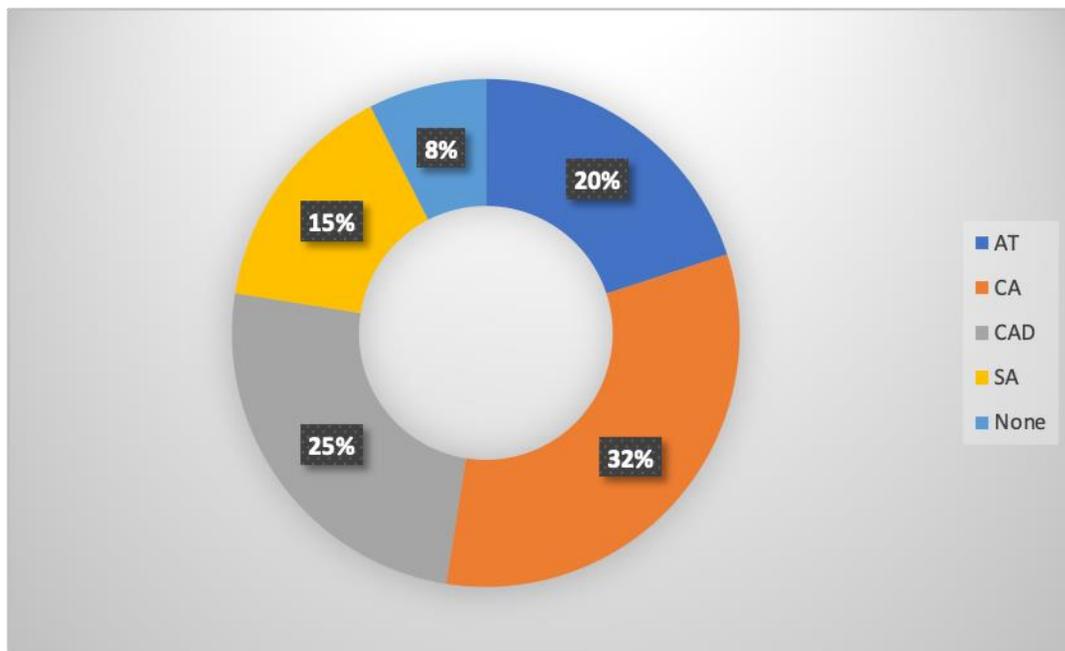


Figure 6: Classification of companies based on operations

4.2.2 Ownership Type

In terms of ownership type, 17 (33.4%) are both owned by local and foreign (L&F) Stockholders, 25 (49%) are owned by Local Stockholders (L) and 9 (17.6%) are owned by foreign (F) Stockholders as shown in Table 4.6 and Figure 4.6.

Table 6: Ownership Type of Companies

Classification	Frequency	Percentage (%)
Local and Foreign	17	33.4
Local	25	49.0
Foreign	9	17.6
Total	51	100

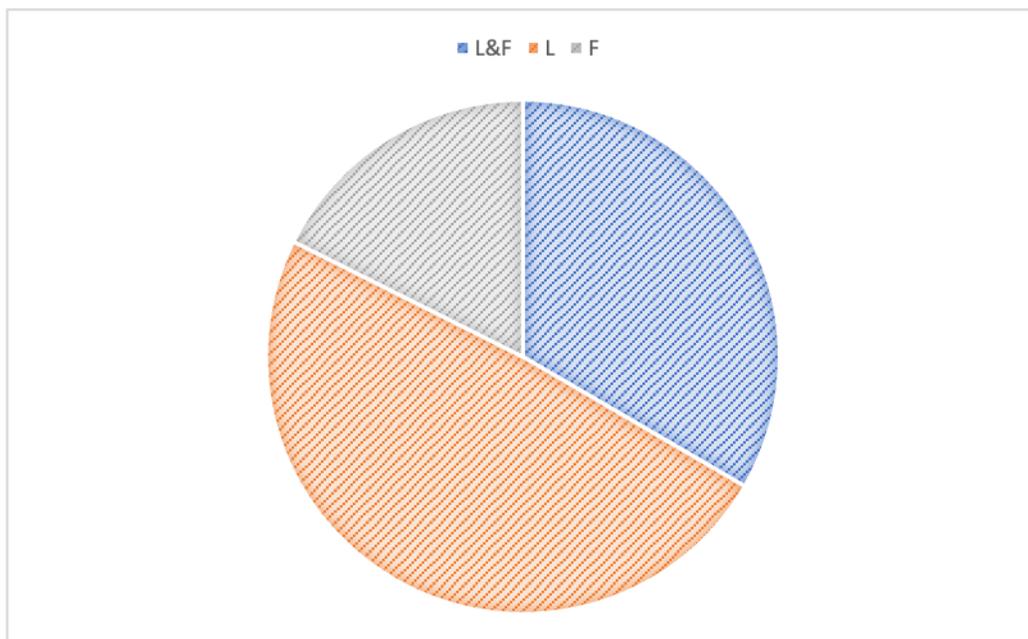


Figure 7: Ownership Type of Companies

4.2.3 Number of Employees

In terms of number of employees working in the 51 companies, 32 (62.7%) have less than 50 employees while 19 (37.3%) has more than 50 employees as shown in Table 4.7 and Figure 4.7.

Table 7: Number of Employees

Classification	Frequency	Percentage
> 50	32	62.7
<50	19	37.3

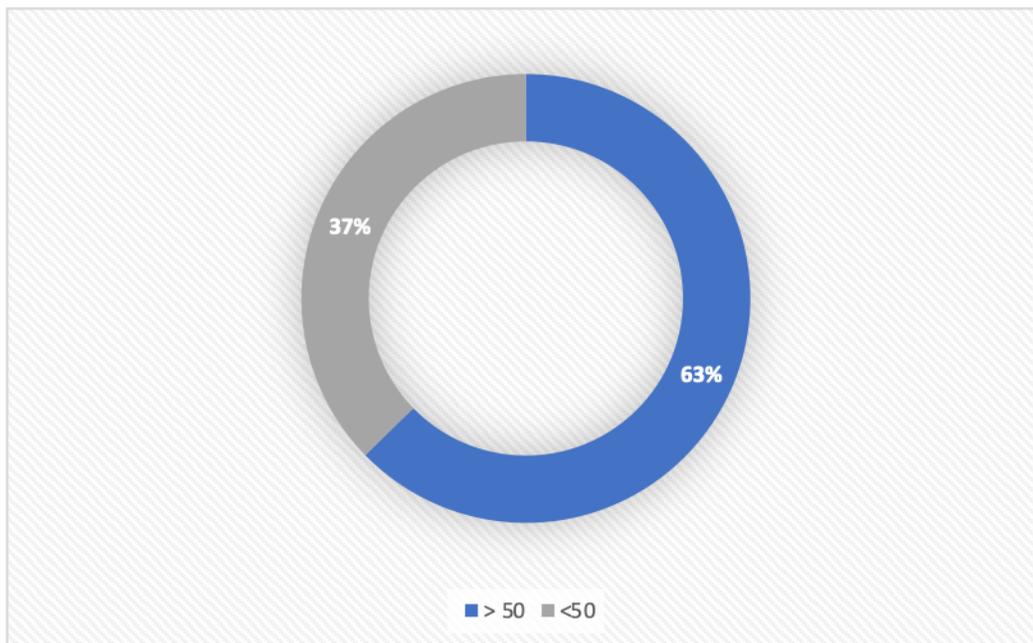


Figure 8: Number of Employees

4.3 Survey

4.3.1 Auditing characteristics

Table 8: Auditing characteristics of companies

Feature	Classification	Frequency	Percentage (%)
Regular Internal Auditing	Yes	46	90.2
	No	5	9.8
Internal Auditing Statement Based on IFRS statement	Yes	24	47.1
	No	27	52.9
Funding	Foreign Stockholders	14	27.5
	Local Stockholders	29	56.8
	Both local and foreign	8	15.7

4.3.2 Audited Report (AR)

Table 9: Response Feedback on AR

Feedback	(1) SA (%)	(2) A (%)	(3) N (%)	(4) S D (%)	(5) D (%)	Mean	Stan. Deviation
AR1	45.0	13.3	25.8	8.3	7.5	4.28	0.502
AR2	56.0	20.0	21.7	1.6	0	3.97	0.482
AR3	48.3	18.3	15.83	5.8	3.3	4.86	0.641
AR4	19.2	14.2	43.3	15.8	7.5	4.24	0.533
AR5	52.5	17.5	23.3	4.2	2.5	3.89	0.472

Based on the responses acquired from the questionnaire as shown in Table 4.8 and 4.9, it is quite vivid that respondent perceived the significance role of Audited Report (AR) in acquiring loans, grants and capitals from banks, government and private Stockholders. Respondents also believe that AR provide vital information to shareholders and Stockholders. Abiding by the standard of IFRS is believed by participants to be standard and form basis for comparison with other companies.

4.3.2 Audited opinion and Reputation (AOR)

Table 10: Audited opinion and Reputation (AOR)

Feedback	(1) SA (%)	(2) A (%)	(3) N (%)	(4) S D (%)	(5) D (%)	Mean	Stan. Deviation
AOR1	58.3	23.3	7.5	2.5	0.0	3.64	0.801
AOR2	27.8	19.2	16.1	24.4	12.5	4.43	0.508
AOR3	24.3	26.5	21.9	14.2	13.1	4.32	0.892
AOR4	49.7	23.5	10.8	11.1	4.9	3.94	0.831
AOR5	28.1	16.7	33.4	12.8	9.0	3.95	0.681

Based on the responses acquired from the questions on Auditor's Opinion and Reputation (AOR) in Table 4.10, it can be seen that the AOR is significant for attracting both foreign and local Stockholders. Majority of respondents believe that AOR improve the performance on the company.

4.4 Hypothesis Testing

In order to assess the fit of the model, Root Mean Square Error (RMSE), Standardized Root Mean Square Error (SRMSE), Comparative Fit Index (CFI) and Incremental Fit Index (IFI) are evaluated. However, the result shows that fit measurement resulted in 0.056 RMSE value, 0.061 SRMSE value, 0.91 CFI and 0.88 IFI score. As a result of both CFI and IFI values been greater than 0.050, this shows that the model is fit. The prove of convergent validity is supported by the average variance which shows the model fit statistics. In terms of composite reliability, the analysis resulted in CR score of 0.70 for internal auditors, 0.84 for standard internal audited report, 0.82 for organizational performance and 0,78 for attracting Stockholders. The reliability of the construct is confirmed as a result of the composite reliability score greater than 0.60.

Table 11: Correlation and Regression analysis

Pathway	β	t	p	F-value
Internal auditor → Standard internal audited report	.19	2.73	0.3	7.821
Standard internal audited report → Organizational performance	.16	2.29	0.4	7.241
Standard internal audited report → Attracting Stockholders	.217	2.41	0.4	7.719

Table 12. T-test Result

Survey Items	Test Value = 4						Std. Deviation
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference		
					Lower	Upper	
AR1/AOR1.	21.308	54	.487	3.873	3.51	4.24	1.348
AR2/AOR2	20.685	54	.500	3.873	3.50	4.25	1.389
AR3/AOR3	24.683	54	1.000	4.000	3.68	4.32	1.202
AR4/AOR4	20.855	54	.069	3.673	3.32	4.03	1.306
AR5/AOR5	19.187	54	.273	3.782	3.39	4.18	1.462
AR/AOR	25.509	54	.651	4.073	3.75	4.39	1.184

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Conclusion

The study focuses on evaluating the role of internal auditing in attracting Stockholders. However, other construct plays a significant role as fundamental variables such as preparation of standard and quality internal auditing report. One of the main objectives of preparing audited reports according to International Standard for Reporting and Funding (ISRF) is to provide credible, precise and transparent report which is crucial in raising capital turnover and trade globally. This is because Stockholders and dealers are interested in business they understand and evaluated.

The study's outcome after applying different parameters in evaluating data generated using questionnaire and the use of model has pointed out that internal audited reports and financial statements are valuable documents or procedures for companies in Erbil. The reports have a significance positive correlation with acquiring loans and grants from both local and foreign banks as well as attracting both national and international Stockholders. Nevertheless, the report serves to provide valuable information to interested Stockholders and form a basis for comparison with other organizations.

5.2 Recommendation

Based on the study's findings, it is recommended that for the purpose of boosting organizational performance and attracting Stockholders, organization must abide by the rules guiding the compilation of financial audited report and internal audited statements according to the international reporting standard for reporting and funding in order to attract potential users and create uniformity which can be use as a basis for comparison with other organizations. The study also recommend organizations in Erbil should regularly publish their reports on public domains or platform to be accessible for users taking into account the benefit of increasing productivity and providing access of loans and Stockholders. Lastly, companies in Erbil should concentrate on compiling their financial statement report and audited reports according to standard by employing auditors with high reputation and experience.

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