

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

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

1.0 Introduction

Internal auditing is essential to good corporate governance, risk management, and compliance in the complicated business world of today. It offers impartial, independent evaluations that support businesses in achieving legal compliance, operational effectiveness, and accountability (e.g., Adusupalli, 2025). However, a concerning trend is being identified by an increasing amount of practitioner and research evidence: superficial compliance in internal auditing. This problem happens when companies follow the letter of audit standards or regulatory requirements but not their spirit (e.g., Hegazy & Farghaly, 2021). As a result, they frequently produce audit reports that seem adequate at first glance but fall short in important details or practical suggestions.

Superfluous internal audit compliance refers to outdated, too stringent, or duplicated procedures that surpass statutory requirements and provide little benefit to organisational objectives. Reduced reporting efficacy, audit fatigue, and resource waste are the results of such inefficiencies. As noted by Pickett (2013), risk-based, value-driven, and effort-free auditing is essential. Instead of checking boxes, the IIA (2017) stresses matching audit activity with strategic risks. The relevance and quality of audits are weakened by over-compliance, which frequently results from risk aversion and misread regulations.

Consequently, the objectives of internal auditing are undermined by superficial compliance since it may not recognise or convey important hazards, which casts doubt on the efficacy of internal audit reports. Organisational culture has an impact on this matter and can either encourage openness or a "box-ticking" practices (ITPro Today, 2025). The long-term consequences of superficial compliance, such as weakened governance frameworks, heightened susceptibility to fraud, and damage to one's reputation, require more scholarly and managerial attention. This study aims to close this research gap by investigating the effect of various influencing factors on internal auditing reporting quality. under superficial compliance practices.

1.1 Importance of the Study

Internal audit plays a critical role in enhancing organizational governance, control, and risk management (IIA IPPF, 2023). However, Nonetheless, its usefulness is diminished by superfluous compliance and poor implementation (MacNeil & Li, 2006). Exploring how auditor ethics and governance mechanisms shape reporting effectiveness addresses a practical and theoretical gap, offering actionable insights to audit committees and regulators. Given increasing regulatory scrutiny across sectors, understanding determinants of effective audit reporting across industries is timely and valuable.

This research is highly relevant and contemporary, especially in light of increasing regulatory demands and corporate governance expectations. This area is valuable because it addresses the gap between audit formality and actual effectiveness, a concern in both developing and developed economies.

1.2 Research Questions

- i) Does internal audit execution have any effect on internal auditing reporting quality in a superfluous compliance situation?
- ii) How much does organisational culture affect the effectiveness of internal audit reports that work under superfluous compliance?
- iii) How is the effectiveness of internal auditing impacted by audit behaviour and ethics?
- iv) Does governance and monitoring have any effect on the effectiveness of internal auditing reporting under a situation of superfluous compliance?

1.3 Objectives of the Study

- i) To examine how the execution of internal audits affects the effectiveness of internal auditing reporting in relation to superfluous compliance.

- ii) To assess how audit behaviour and ethical norms affect internal auditing reporting's effectiveness under superfluous compliance.
- iii) To investigate how organisational culture affects internal audit reporting's effectiveness in the face of excessive compliance procedures.
- iv) To look into how governance and monitoring systems affect internal auditing reporting's efficacy in situations where compliance is unnecessary.
- v) To control for industry type in analysing the relationship between compliance-related factors and the effectiveness of internal auditing reporting.

Five main sections make up the remainder of the paper. The second section contains a review of previous research on each of the variables to be investigated in this study as well as an explanation of the relevant theories. In the context of superfluous compliance with internal auditing reporting quality, it also identifies research gaps. Section three delves into scientific methodology applied in this context and includes sample selection, the design of research instrument and its contents, and pre-testing of the questionnaire. It also presents the conceptual framework and the model developed for variable testing. Section five presents result of the study and discussion duly supported by descriptive statistics, correlation, and results of multiple regressions and model fit analysis and contributions of the study. Lastly, the paper presents conclusions, implications, limitations and future research directions.

2. 0 Applicable Theories and Prior Literature Review

2.1 Agency Theory

It is to be noted that information asymmetry and agency interactions produce agency problems and agency costs, which in turn give rise to agency theory (Jensen & Meckling, 1976). The "principal-agent problem", in which managers may act for their own interest and influence shareholders, is inscribed in agency theory, which is predicated on three assumptions (Eisenhardt, 1989).

Internal auditing aims to address agency issues between management and stakeholders, but co-opting or serving management interests can lead to superficial compliance and undermine audit independence and effectiveness by avoiding red flags. This theory explains how governance mechanisms and audit oversight reduce information asymmetry and opportunistic behaviour. This theory explores how the principal-agent relationship is distorted by superficial compliance, which may impair internal audit reporting.

2.2 Institutional Theory

Institutional theory discusses the process of institutionalising a particular practice in a group or institution by way of a systematic, structured institutional transformation of behaviour (Clemens & Cook, 1999). This theory can be used to explain internal auditing practices (Joshi & Golrida, 2022). It also delves into how internal audit reporting may prioritise formal compliance over substantive effectiveness in highly regulated environments. Under superfluous compliance, organisations often conform to norms for legitimacy rather than performance, limiting audit impact. This theory highlights the influence of external pressures on audit practices. As such, it is crucial for understanding symbolic versus actual accountability (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). This theory is likely to detect procedural adherence without execution or performance compliance indications.

2.3 Social Identity Theory,

According to Tajfel and Turner (1979), the Social Identity Theory (SIT) states that human's behaviours and values are influenced by the organisations to which they work with. When there is a strong ethical culture prevalent within the organisation, internal auditors are more devoted to the audit's objectives and activities and are more effective overall. By stressing collective identity and common values, internal auditing methods and techniques may cut down on unnecessary reporting and instead concentrate on pertinent, valuable findings. As a result, this theory shows how an ethical organisational culture is able to compeer individual auditors with audit objectives and improve performance.

2.4 Prior Literature Review and Development of Hypotheses

Superfluous Compliance and Effectiveness of Internal Audit Reporting

A few recent studies suggested that the effectiveness of internal auditing reporting is impaired, despite the fact that superfluous compliance internal audit reporting is still a developing field and no significant empirical research has been done on how it affects reporting effectiveness (e.g., Tepalagul & Lin, 2015). Similarly, when there are excessive compliance requirements, the internal audit practices may become a tick-box type of culture, may likely to reduce the effectiveness of internal audit reporting. Alves, Limao and Lourenco's (2024) study findings show that how overload (related to compliance workload) affects auditor behaviour. Furthermore, a symbolic compliance of meeting the regulatory standards by internal auditors negatively impacts the governance and risk (e.g., Almilia & Kristijadi, 2019).

2. 4.1 Internal auditing execution (quality of audit process)

Effective internal auditing, including audit planning, reporting, and follow-up, is crucial even in cases of superficial compliance (Yee et al., 2008; Dellai & Omri, 2016). According to Pugliese et al. (2025), recent data supports this, demonstrating that process quality is much enhanced by utilising analytics and matching audit approach with organisational objectives. Moreover, Xu et al. (2024) show that LLM-powered smart audit systems improve audit execution by more than 24% by enhancing dynamic planning, reporting accuracy, and follow-up efficiency. The aforementioned developments underscore a transition from formality in procedures to responsive, data-driven auditing that enhances assurance in the face of surface compliance.

By encouraging flexible, data-driven auditing that adjusts to organisational objectives and technological advancements rather than strict protocols, the Contingency Theory highlights the significance of matching internal audit processes with organisational context and external conditions (Pugliese et al., 2025; Xu et al., 2024). It encourages adapting audit practices—rather than strict protocols—to changing situations and hazards.

The following, hypothesis is formulated;

H01: Higher internal audit execution quality positively influences internal audit reporting effectiveness.

2.4.2 Organisation Culture

The quality of internal audit reporting is greatly impacted by organisational culture. By promoting norm internalisation, a strong ethical culture lowers agency conflicts, increases auditor accountability, and improves audit quality (Hermalin & Weisbach, 1991; Tajfel & Turner, 1979). Firms with strong accountability cultures show fewer audit failures, according to recent data from the PCAOB (2024). According to the Audit Board (2024) report, 68% of internal audit executives believe that an important cultural component influencing audit performance is leadership tone. On the other hand, weak or unclear cultures make it harder for auditors to make sound decisions and raise the possibility of reporting errors. These results highlight how important leadership conduct and ethical standards are in determining the calibre of internal audits. Additionally, Khelil's (2022) study findings reveal that organizational work culture greatly influences the effectiveness of internal auditing, especially through mechanisms of ethics, transparency, accountability, and group identification.

By focusing on group norms, shared values, and auditor role identification, the Social Identity Theory (Tajfel & Turner, 1979) provides the best explanation of how organisational culture affects the quality of internal audits. Internalisation of accountability standards is encouraged by a strong ethical culture, which also improves audit diligence and lessens agency conflicts (Hermalin & Weisbach, 1991). Moreover, Xu et al. (2024) demonstrate that intelligent audit systems function better in morally upright, encouraging environments that encourage responsible reporting. Based on above explanation, the following hypothesis is formulated:

H02: A stronger organisational culture positively influence internal audit reporting effectiveness.

2.4.3 Auditor Behaviour & Ethics

By lowering the possibility of misrepresentation and prejudice in internal audit reports, auditor impartiality and integrity—two fundamental ethical qualities—significantly improve audit quality (Khezri & Langroudi 2025). Since compromised independence diminishes transparency and undermines shareholder trust, independence is essential to reliable internal audits. At the same time, there is frequently a decrease in reporting effectiveness, ethical violations, and organisational unhappiness (Hegazy et al., 2023). Conversely, ethical behaviour and culture improve audit effectiveness by reducing dysfunctional auditor behaviour (such as cutting corner under time pressure) (e.g. Sweeney, Arnold, & Pierce, 2010).

According to a systematic review, professional conduct and ethical standards among auditors are important factors affecting internal audit efficacy inside IPPF frameworks. Recent studies in this area have shown conflicting results; some confirm favourable ethics–quality correlations, while others find no effect, suggesting that organisational factors and context influence interactions (Parluhan & Widyastuti, 2023).

Because it describes how auditors' independence, integrity, and moral conduct can serve as governance mechanisms to reduce information asymmetry and principal-agent conflicts, lowering agency costs and improving reporting quality, agency theory is most relevant to this variable (Jensen & Meckling, 1976). Therefore, the following hypothesis is formulated:

H03: A stronger auditor behaviour and ethics positively influence reporting effectiveness.

2.4.4 Governance and Monitoring

Internal audit reporting is significantly influenced by governance structures, particularly in the context of symbolic compliance. Strong leadership and active audit committees promote audit independence and openness while lowering management override (Goodwin, 2003). Engaged governance has been empirically linked to better risk supervision and internal control (Abbott et al., 2016). The quality of assurance is improved when internal and external auditors work together effectively (Glover et al., 2021). However, audit reliability is compromised by shallow governance, emphasising the importance of substance over form (Power, 1997). How audit insights are interpreted and applied is directly impacted by ethical leadership (Kaplan & Mikes, 2014). Strategic governance and audit integration improves reactivity to new risks (Lenz et al., 2017).

Agency theory suggests that governance mechanisms are necessary to balance stakeholders' interests and reduce information asymmetry. Audit committees and internal audits serve as monitoring tools to lower agency costs (Jensen & Meckling, 1976). Good governance strengthens auditor independence, while weak monitoring compromises audit trustworthiness. Therefore, internal auditing's function is directly influenced by governance quality. Thus, in the light of the above, following hypothesis is formulated:

H04: A stronger corporate governance and monitoring positively influence internal audit reporting effectiveness.

2.4.5 Types of Industry

In order to make sure that businesses comply with rules and regulations, or "comply," internal auditing is essential. The industry in which the company works has a big impact on how successful internal audit reporting is, especially when there is pressure to meet a lot of compliance obligations (superfluous compliance). In order to improve reporting depth, manufacturing organisations are typically compelled to conduct thorough process audits (Alzeban & Gwilliam, 2014). Due to their lower asset requirements, the service and trade industries may place a higher priority on financial and compliance audits, which could impact the audit's clarity and focus (Arena & Azzone, 2009). Research indicates that industry-specific knowledge increases the efficacy of internal audits. As a result, industry-specific audit methodologies improve reporting results.

2.4.6 Research Gaps

Surface-level compliance in internal auditing is a systemic issue due to cultural norms and structural forces. Regulatory frameworks offer direction but lack organisational will, an ethical basis, and auditor authority. Internal audits across industries need adequate examination and validated scales. There is a lack of industry-related research on this subject, emphasising the need for thorough investigations to understand the impacts of these factors on internal auditing procedures.

Critical gaps still exist notwithstanding the limited efforts of Soh et al. (2024) and Foorthuis (2020), who have drawn much-needed attention to the issue of unnecessary compliance in

internal auditing. Although these studies draw attention to the symbolic character of audit procedures and their inconsistency with substantive governance goals, they provide little empirical understanding of the organisational, behavioural, and cultural factors that might influence these procedures. A more thorough comprehension of these fundamental factors is still lacking, despite internal auditing functions being more and more important to managerial and regulatory accountability. This disparity emphasises the need for more empirical research on the contextual elements affecting the calibre of internal audit reporting, especially in settings where compliance risks are reduced to a formality. Therefore, the research gap lies in understanding why internal audits become symbolic, focusing on factors like organisational culture, governance, auditor ethics, and execution quality, and the disconnect between compliance and internal audit impact.

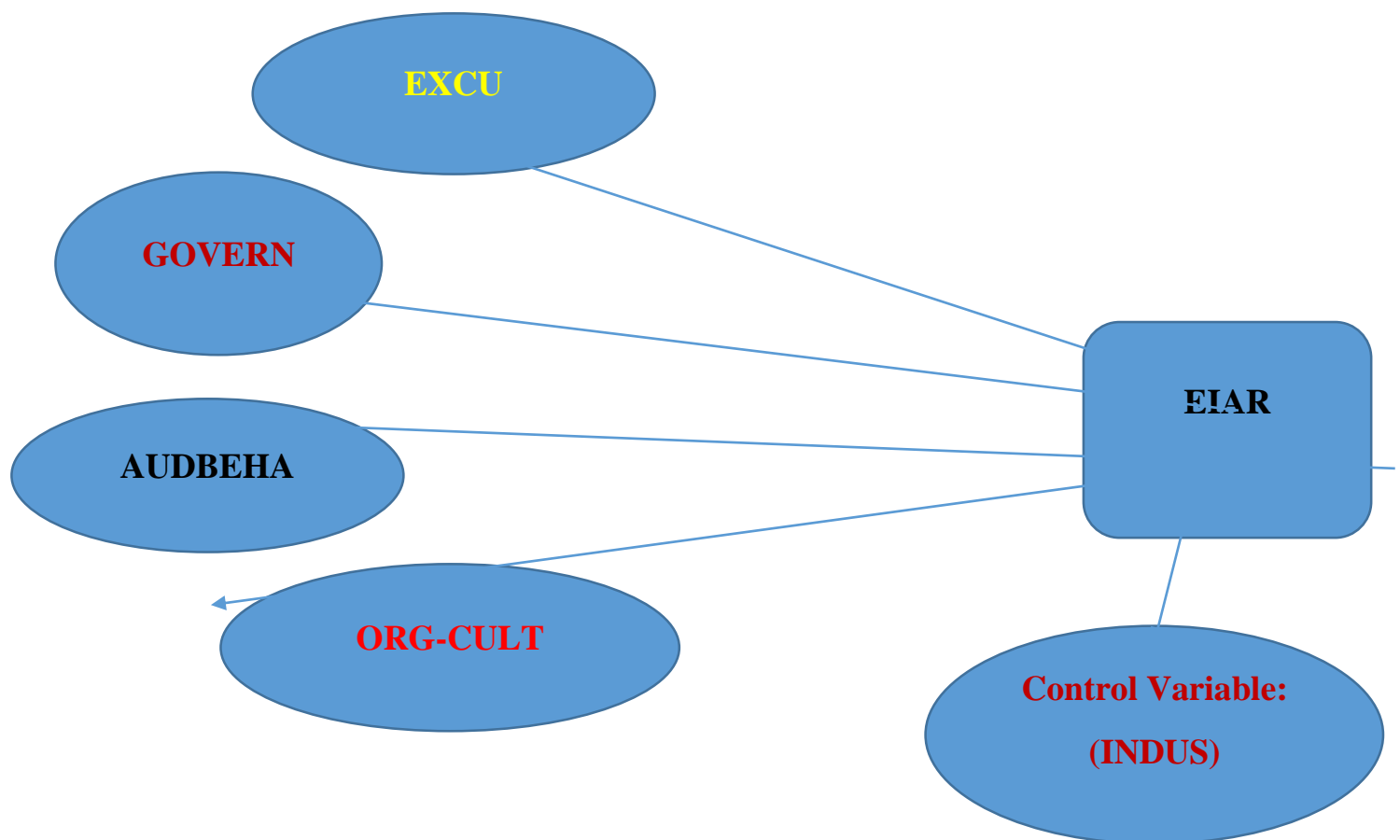


Figure-1 : Theoretical Framework (Developed by the Author)

3.0 Methodology

3.1 Sample Selection

Assuming that the world was infinite, the quantitative data for this study was gathered from auditors from LinkedIn contacts using a random sampling technique. The sample size was determined in the study using the formula for an infinite population (Cochran & Lord Jr., 1963). Using the following Cochran formula, we determined the sample size for this investigation:

$$n_0 = \frac{Z^2 pq}{e^2}$$

Where:

- n_0 is the sample size
- e^2 is the desired level of precision (i.e. the margin of error),
- p is the (estimated) proportion of the population that has the attribute in question
- q is $1 - p$ — z -value is found in a Z table

The study's sample size was calculated to be 218 using the procedure above and were sent links to the survey to the qualified internal auditors in an effort to increase the number of replies.

3.2. Research Instrument: Design and Data Collection

A self-designed questionnaire was posted online using Google Forms, allowing LinkedIn users (internal auditors) to participate in a survey. Reminders were sent three weeks after the questionnaire was sent, and data was collected in April-May, 2025. The questionnaire comprises three parts. The respondents' demographic data was included in Part (B). The statements related to independent (execution, audit behaviour and ethics, organisational culture, and governance and monitoring) and dependent (internal audit reporting effectiveness) variables were included in Part (A) and were given to participants to score. The respondents' demographic data was included in Part (B). A Likert scale, with 1 denoting "strongly disagree" and 5 denoting "strongly agree", was used to score these claims.

3.3. Preliminary Examination of the Survey

After the survey instrument was developed and finalised, it was tested using input from a professional chartered accountant, an accounting professor who helped revise the questionnaire, and one corporate working head of internal auditing. The purpose of the testing was to gather participants' thoughts on the research theme and objectives.

3.4. Responses Rate

A total of 61 responses were received out of 218, and all the questionnaires were found to be completed; therefore, a 28.0 percent response rate is obtained as a result. In addition, we looked for non-response bias by comparing the first 20 per cent of early responses with the final 20 per cent of late responses. Insignificance is the t-test's conclusion. 3 responses were excluded from the response list as they fall in the outliers' category. Hence, the usable responses were 58, and they are analysed in this study.

3.5 Regression Model

$$\text{EIAR} = \beta_0 + \beta_1 \text{EXEC} + \beta_2 \text{CULT} + \beta_3 \text{AUDBEH} + \beta_4 \text{GOVERN} + \beta_5 \text{INDUS} + \varepsilon$$

Where:

Dependent variable:

EIAR = *Effectiveness of internal auditing reporting (measured through Likert scale)*

Independent variables:

EXEC = Execution (measured through Likert scale)

CULT = Organisational culture (measured through Likert scale)

AUDBEH = Auditor behaviour and ethics (measured through Likert scale)

GOVERN = Governance and monitoring (measured through Likert scale)

Control variable:

INDUS = Type of industry (Manufacturing =1; Services and others =0)

ε = Error

4.0 Results and Discussion

4.1 Reliability

The reliability of the survey instrument was measured by Cronbach Alfa value which is shown in Table -1.

Table -1: Reliability: Cronbach Alfa value

Items	Cronbach’s Alfa	No. of items
Overall	0.777	16
<i>For groups:</i>		
EXEC	0.681	5
CULT	0.770	4
AUDBEH	0.701	4
GOVERN	0.746	3

The Cronbach alpha (coefficient of alpha) was computed using the Jamovi software to evaluate the study instrument's measurement reliability. If a measurement's alpha (α) value is 0.70 or above, it is considered dependable. Table 1 above displays the number of elements and the coefficient value. It is clear that the total alpha scores for the 16 items are 0.777, and the alpha coefficient values for all variables are over 0.70, with the exception of EXEC, which comes out to be 0.681. This implies that the responses' internal consistency was seen as reliable.

4.2 Characteristics of Respondents

Table 2 displays the demographic details of survey respondents.

Table 2. Characteristics of Respondents (N=58)

Demographic Characteristics	Frequency
Gender	Male= 44 (75.9%) Female= 14 (24.1%)
Experience	Less than 10 Years = 19 (32.8%) 10 or more years = 39 (67.2%)
Internal audit department	Yes = 49 (84.5%) No/outsourced =9 (15.%)
External auditor of the organisation	Big4 = 28 (48.3%) NonBig4 = 30 (51.7%)

Academic education	Undergraduate = 7 (12.1%) Postgraduate= 51 (87.9%)
Professional qualification	CA = 19 (32.8%) CPA/ACCA =14 (24.1%) CMA/CIMA = 7 (12.1%) CIA and others= 18 (31.0%)
Position	Chief of Internal Auditing = 8 (13.8%) Audit Manager = 17 (29.3%) Internal Auditor =16 (27.6%) Finance Manager = 5 (8.6%) Accountant = 5 (8.6%) Others = 7 (12.1%)
Company size	Large = 32 (55.2%) Medium & Small = 26 (44.8%)
Number of employees	Less than 100 = 8 (13.8%) Between 100 to 200 = (12.1%) Between 200 to 400 = 7 (12.1%) 400And more = 36 (62.0%)
Industry type	Manufacturing = 9 (15.5%) Services & Others = 49 (84.5%)
Working in	Asia = 50 (86.2 %) Rest of the world = 8 (13.8%)

There was a gender imbalance in the sample, as shown by Table 2, which shows that 74.9% of the respondents were men. The remaining individuals were accounting professionals, with about 57.7% being audit professionals. Regarding credentials, 24.1% had CPA/ACCA certifications, 31.0% had CIA or other certifications, and 32.8% were chartered accountants. In terms of employment, 44.8% were employed by small or medium-sized businesses, whilst 55.2% were employed by major corporations. The vast majority of those surveyed (87.9%) held postgraduate degrees. In terms of audit firm affiliation, Big Four firms audited the remaining companies, while non-Big Four firms audited 51.7% of the respondents' enterprises.

This sample exhibits a wide range of professional qualifications and a high degree of education. Comparative insights are made possible by the approximately equal distribution of Big Four and non-Big Four audits. The comments gain depth due to the professional variety. However, because of some demographic imbalances, care should be taken when extrapolating results.

It is posited that understanding the ways in which gender, industry, job title, experience, and firm size affect replies in accounting surveys requires demographic study. This facilitates the identification of potential biases and the extrapolation of findings to the broader accounting community. Demographic data helps ensure that the results are relevant and representative by assessing how well the survey sample reflects the broader accounting population (Podsakoff et al., 2012).

Tests for normality, correlation, linearity, and multicollinearity are frequently considered in order to prepare the data for regression analysis (Pallant, 2010). These methods are followed in this investigation.

4.3 Descriptive Statistics

Table- 3 : Descriptive Statistics About the Variables					
	EXEC	CULT	AUDBEH	GOVERN	EIAR
N	58	58	58	58	58
Mean	3.26	3.56	3.33	2.9	3.53
Median	3.2	3.75	3.50	3	4
Standard deviation	0.68	0.89	0.77	1.04	1.17
Minimum	2	1	1	1	1
Maximum	5	5	5	5	5

Furthermore, the Shapiro-Wilk test with a W statistic of 0.973 and p-value of 0.229 indicates that the data likely to follow a normal distribution.

4.4 Correlation

Table 4- Correlations Matrix

Correlation Matrix					
	EXEC	CULT	AUDBEH	GOVERN	INDUS
EXEC	—				
CULT	0.466				
AUDBEH	0.593	0.47			
GOVERN	0.605	0.339	0.484		
INDUS	0.175	0.174	0.08	-0.05	—

The findings of the correlation between the independent variables are shown in Table 4. It proves that the observed variables correlate with the total variables and are independent of each other. The correlation matrix sheds light on the linear relationships between the following independent variables: INDUS (Industry Type), GOVERN (Governance & Monitoring), AUDBEH (Auditor Behaviour & Ethics), CULT (Organisational Culture), and EXEC (Internal Auditing Execution). Values near zero imply little or no linear link, while values closer to 1 or -1 indicate strong positive or negative associations, respectively. Correlation coefficients range from -1 to 1.

The correlation between GOVERN and EXEC is the strongest, at 0.605. Regression analysis multicollinearity diagnostics depend on these correlations. Generally speaking, multicollinearity may be indicated by coefficients exceeding 0.7 (Hair et al., 2010); however, none of the correlations in this study are above that cut off, suggesting acceptable levels of

collinearity. Furthermore, the low variance inflation factor (VIF) value shown in regression coefficients (Table 5) supports the results' lack of multicollinearity.

4.5 Multiple Regression Analysis

Key model fit indicators, including the F-value, R, and R² are included in the regression model summary and ANOVA findings, which are shown in Tables 5a and 5b. The dependent variable's variance can be explained by the independent variables in the model to the tune of about 29.8%, as indicated by the R² value of 0.298. This is statistically significant even though it has a moderate level of explanatory power, especially in social science research where many unmeasured factors frequently influence complex human behaviour (Hair et al., 2019).

Additionally, the model's F-ratio is 4.41, as seen in Table 5b, and this value is statistically significant at the 1% level ($p < 0.01$). According to Field (2018), this high level of significance indicates that the regression model as a whole fits the data far better than a model without predictors. The model's validity and applicability in elucidating the link between the variables under study are confirmed by the combination of a moderate R² value and a statistically significant F-ratio.

Table 5a: Multiple Regression Analysis

Coefficients	Unstandardized	Standardized	Standard error	t	p	VIF	Tolerance
	Coefficients	Coefficients					
Model (Constant)	B	Beta					
	1.2		0.75	1.6	0.115		
EXEC	-0.16	-0.09	0.29	-0.54	0.594	2.12	0.471
CULT	0.01	0.01	0.18	0.06	0.954	1.40	0.713
AUDBEH	0.46	0.31	0.23	2.01	0.049	1.72	0.581
GOVERN	0.41	0.36	0.17	2.36	0.022	1.71	0.584
INDUS	0.58	0.18	0.39	1.48	0.146	1.09	0.916

Table-5b Model Fit

Model Fit Measures								
Model	R	R ²	Adjusted R ²	AIC	BIC	F	Overall Model Test	
							df1	df2 P
1	0.546	0.298	0.23	176	190	4.41	5	52 0.002

Table-6: Test of Autocorrelation

Durbin–Watson Test for Autocorrelation		
Autocorrelation	DW Statistic	p
-0.343	2.68	0.008

Our regression model ($R = 0.456$ and $R^2 = 0.298$) significant at $p < 0.01$) indicates that auditor behaviour & ethics and corporate governance & monitoring significantly predict internal audit reporting effectiveness. Other variables—including execution quality, organizational culture, —were not statistically significant. Importantly, the execution variable had reliability (Cronbach’s $\alpha = 0.681$), likely attenuating its predictive power.

The independent variable (EXECU) was measured using a 5-item scale, yielding a Cronbach’s alpha of 0.681, indicating moderate internal consistency. While this value approaches the acceptable threshold of 0.70, it suggests potential issues with item coherence that may warrant refinement in future studies. Additionally, the regression analysis showed a positive but statistically insignificant relationship between EXECU and the dependent variable, suggesting that EXEC does not significantly contribute to outcome prediction. This could be due to the construct’s moderate reliability, measurement limitations, or insufficient statistical power. Despite this, the model explained 29.8% of EIAR variance, suggesting potential future research.

The conduct, independence, and professional integrity that form the basis of audit quality are indicated by auditor behaviour and ethics (AUDBEH) (IESBA, 2024). According to empirical research, internal auditors’ independence and adherence to ethics improve reporting credibility and lower the likelihood of misstatements (Khezri, & Langroudi, 2025). These results, which show that auditors with moral principles may lessen information asymmetry and agency expenses, are corroborated by agency theory. These results are consistent with agency theory, which holds that moral auditor’s lower agency expenses and information asymmetry. This is accomplished by encouraging openness, making more disclosures, and improving the oversight and dependability of financial reporting by moral auditors (e.g., Jensen & Mackling, 1976).

Strong governance and monitoring mechanisms, including a well-balanced audit committee and board supervision, have been demonstrated to improve the internal audit function and reporting quality, as evidenced by the statistical significance of GOVERN variables (Ghazali et al., 2024). The involvement of the audit committee, board governance, and appropriate authorisation allow for increased audit effectiveness in a number of developing nations. Because efficient governance and monitoring mechanisms discourage agents from acting opportunistically and institutionalise audit professionalism, these effects align with both agency theory and institutional theory (e.g., Vadasi et al., 2019).

The weak connection in explaining the influence on EIAR is revealed by the insignificant EXECU finding. Simple internal auditing compliance, such as checking a box, may not enhance the quality of audit reports; instead, it encourages symbolic adherence.

However, as it is assumed that an ethical culture may work indirectly—reinforcing governance processes and auditor ethics—the contribution of organisational culture (CULT) may be indirect. Thus, according to institutional theory, organisations with ingrained norms, common values, and professional standards develop a robust internal audit profession (Vadasi et al., 2019).

Thus, by agency and institutional assumptions, our empirical results from the regression model support both auditor ethics and governance systems, which significantly aid in predicting efficacy.

4.6 Contribution of the Findings

By investigating the effectiveness of internal audit reporting and validating the agency theory, institutional theory and ethics-based framework, this study advances theory. This paper also introduces the concept of unnecessary compliance in auditing research. When developing an internal audit reporting system, practitioners should take governance and ethical systems into account, according to the study's empirical findings. Additionally, it re-examines internal audit execution procedures to guarantee uniformity and clarity. Additionally, the results indicate that authorities should improve audit reporting standards across industries and strengthen auditor integrity and independent monitoring when developing policies and regulations. The 61 responses may seem like a small sample size, but it is in line with response rates in research involving specialised professional groups to which access is limited. The results provide insightful information on contemporary auditing procedures because of the research's narrow focus and the comprehensiveness of the responses.

Table 7: The Summary of Hypotheses Tested

Hypotheses	Accept	Reject
H01. Higher internal audit execution quality positively influences internal audit reporting effectiveness.		✓
H02: A stronger organisational culture positively influence internal audit reporting effectiveness.		✓
H03: A stronger auditor behaviour and ethics positively influence reporting effectiveness.	✓	
H04: A stronger corporate governance and monitoring positively influence internal audit reporting effectiveness.	✓	

It is clear from Table-7 that H03 and H04, respectively, are accepted and others are rejected, as these hypotheses are not supported by the empirical findings. It means that in the changing business scenario, “Audit behaviour and ethics” and “Governance and monitoring” are the two critical factors that significantly impact the “Effectiveness of internal audit reporting”. One possible explanation is that a good audit ethics code guarantees objectivity, integrity, and openness in internal audit reporting. Furthermore, the oversight and accountability required to improve audit dependability are provided by efficient governance and monitoring.

5.0 Conclusions, Implications, Limitations and Future Research Directions

5.1 Conclusions

When internal auditors adopt a micro-approach, focusing intensely on minor compliance deviations in low-value areas, they can become overly absorbed in checking every rule—regardless of its strategic importance. This often results in audit reports that emphasise trivial compliance slip-ups while overlooking broader operational or financial risks. This misalignment can lead to loss of objectivity, misaligned strategy, and excessive attention to low-value tasks (Bonrath & Eulerich, 2024). Such outcomes stem from internal audit functions becoming too narrow and rule-bound in needless compliance environments. Therefore, this study examines the multiple factors that may impact the effectiveness of internal auditing reporting in such a superfluous compliance situation.

The findings show that two key variables, namely “audit behaviour & ethics” and “governance & monitoring”, explain positively and significantly the variations of effect in “EIAR”. The regression function is highly significant without any existence of a multicollinearity problem. The regression results are theoretically coherent and empirically supported by recent research. Ethical auditor behaviour and governance mechanisms emerge as the primary drivers of audit reporting effectiveness, consistent with agency and institutional theories. Poor measurement reliability likely concealed effects of execution, while organisational culture may operate through indirect pathways, enhancing ethics and governance responsiveness.

Bias and over-compliance may be the instances of ineffective auditor behaviour that can undermine objectivity and critical judgement in audit reporting. These challenges and issues could be reasonable justifications for decreased audit effectiveness. When ethical standards are weak, auditors' integrity may be compromised, resulting in picky disclosure of risks. Similarly, weak governance structures can debilitate the independence and authority of internal auditors. Furthermore, inadequate oversight may result in deviations from audit requirements and a decline in reporting quality (e.g., Jameel, Hamoody, & Shmam, 2024).

5.2 Implications

In the context of internal audit reporting, this study provides empirical support for the theories of agency, institution, and social identity. In superfluous compliance circumstances, it offers quantitative evidence of audit behaviour and ethics as well as corporate culture as important predictors of internal audit reporting success. By addressing the few integrated models that combine governance, industrial context, and cultural behaviour, it closes the research gaps. By recommending that audit committees give priority to culture, reinforce auditor practices (training, incentives), and match personnel identity with audit objectives, it has practical ramifications. Audit committees should be encouraged to give cultural and behavioural characteristics top priority, and regulatory and governance bodies should adjust expectations and guidelines based on organisational context and industry type. Soh and Martinov-Bennie (2011) stated that internal audit effectiveness is strongly affected by organisational culture and behavioural dynamics, not just structural and regulatory forces.

5.3 Limitations of the Study

A number of limitations apply to this study, chief among them being the 61-respondent sample size. Even though this reduces the findings' statistical power and generalisability, the participants' specialised knowledge makes the insights nonetheless meaningful. To validate and build on these findings, more extensive and varied sample sizes would be useful in future studies. Additionally, bias may be introduced by depending too much on a self-designed questionnaire (e.g., King & Bruner, 2000). It is also impossible to prove causality using a cross-sectional approach.

5.4 Future Research Directions

In light of the study's limitations, larger, multi-sector samples could be used in future research to examine the moderating impacts of industry type and organisation size. A longitudinal technique may be used to investigate temporal effects and causality. Future studies can also concentrate on the methods of inquiry, including the role that identity alignment or auditor empowerment plays as a mediator between efficacy and culture. It may also be possible to conduct cross-cultural research on emerging economies that considers environmental issues.

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