



UNIVERSITY
OF WOLLONGONG
AUSTRALIA

University of Wollongong
Research Online

Faculty of Commerce - Papers (Archive)

Faculty of Business

2007

The perceptions of the Singaporean manager class regarding the role and effectiveness of internal audit in Singapore

C. S.L. Yee

Thames Business School, Singapore

A. Sujan

Charles Sturt University, asujan@csu.edu.au

K. James

University of Southern Queensland

Publication Details

This conference paper was originally published as Yee, CSL, Sujan, A, and James, K, The perceptions of the Singaporean manager class regarding the role and effectiveness of internal audit in Singapore, Fifth Asia Pacific Interdisciplinary Research in Accounting (APIRA) Conference, Auckland, New Zealand, 8-10 July, 2007, 1-19. The original article is available [here](#).

Research Online is the open access institutional repository for the University of Wollongong. For further information contact the UOW Library: research-pubs@uow.edu.au

The perceptions of the Singaporean manager class regarding the role and effectiveness of internal audit in Singapore

Abstract

In recent times the “dominant paradigm” (Al-Twaijry et al., 2003, p. 524) of internal auditing (IA) as attest function has been largely supplanted by the “business partner” model. Under the business partner model of “modern” IA, internal auditors are seen as consultants who work with senior management to recommend improvements to business processes. We survey a group of Singaporean managers to assess their perceptions about both the role and effectiveness of IA within Singapore. Overall, our results support the assertion that the Singaporean managerial class strongly appreciates the new role of “modern” IA, as “business partner”. Unlike in Saudi Arabia (Al-Twaijry et al., 2003), the traditional attest function of “classical” IA seems to have been largely supplanted as the dominant paradigm for IA in Singapore. We also find evidence, consistent with the extant IA literature, that “auditor independence” is not the most essential aspect for effective IA. However, contrary to the prior literature which suggests a thriving expectations gap in IA, we find that the Singaporean managerial class is generally satisfied with the professionalism and effectiveness of internal auditors. Singaporean managers seem to appreciate the presence of an IA department in their organization. The other important finding of our survey is that the conclusions and recommendations in the IA process are not discussed with either the mid-level managers or general executives. We assume that these two groups receive directives based on the IA report.

Disciplines

Business | Social and Behavioral Sciences

Publication Details

This conference paper was originally published as Yee, CSL, Sujana, A, and James, K, The perceptions of the Singaporean manager class regarding the role and effectiveness of internal audit in Singapore, Fifth Asia Pacific Interdisciplinary Research in Accounting (APIRA) Conference, Auckland, New Zealand, 8-10 July, 2007, 1-19. The original article is available [here](#).

**THE PERCEPTIONS OF THE SINGAPOREAN MANAGER
CLASS REGARDING THE ROLE AND EFFECTIVENESS
OF INTERNAL AUDIT IN SINGAPORE**

by

Cassandra Seow-Ling Yee,
Thames Business School, Singapore

Ahmad Sujan,
Charles Sturt University

and

Kieran James*
University of Southern Queensland

(First draft)

The authors gratefully acknowledge the helpful comments of Jee-Meng Chua and Krishna Kumar on earlier versions of this paper.

* Corresponding author: Dr Kieran James, Senior Lecturer in Accounting, Department of Accounting, Faculty of Business, University of Southern Queensland, Toowoomba, Queensland, Australia. Tel.: +61 7 46312916/1603. Email: kieran_james@yahoo.com.

THE PERCEPTIONS OF THE SINGAPOREAN MANAGER CLASS REGARDING THE ROLE AND EFFECTIVENESS OF INTERNAL AUDIT IN SINGAPORE

Abstract

In recent times the “dominant paradigm” (Al-Twaijry *et al.*, 2003, p. 524) of internal auditing (IA) as attest function has been largely supplanted by the “business partner” model. Under the business partner model of “modern” IA, internal auditors are seen as consultants who work with senior management to recommend improvements to business processes. We survey a group of Singaporean managers to assess their perceptions about both the role and effectiveness of IA within Singapore. Overall, our results support the assertion that the Singaporean managerial class strongly appreciates the new role of “modern” IA, as “business partner”. Unlike in Saudi Arabia (Al-Twaijry *et al.*, 2003), the traditional attest function of “classical” IA seems to have been largely supplanted as the dominant paradigm for IA in Singapore. We also find evidence, consistent with the extant IA literature, that “auditor independence” is not the most essential aspect for effective IA. However, contrary to the prior literature which suggests a thriving expectations gap in IA, we find that the Singaporean managerial class is generally satisfied with the professionalism and effectiveness of internal auditors. Singaporean managers seem to appreciate the presence of an IA department in their organization. The other important finding of our survey is that the conclusions and recommendations in the IA process are not discussed with either the mid-level managers or general executives. We assume that these two groups receive directives based on the IA report.

Introduction

Background

Contemporary professional practice of internal auditing (IA) was born around 1941. Two important landmarks that occurred during that year were the publication of the first internal auditing book, Victor Z. Brink's *Modern Internal Auditing* (Brink, 1988), and the creation of the Institute of Internal Auditors (IIA). Brink's book is still widely regarded as having made an important contribution to IA theory and practice. Since 1941 the IIA, for its part, has done much to enhance the professional stature of internal auditors, by undertaking the following actions and programs: (a) approving and issuing a statement of responsibilities; (b) researching and developing a common body of knowledge; (c) setting up continuing education and professional certification programs; (d) making and adopting standards for the professional practice of IA; and (e) establishing a Code of Ethics.

By 1993, the Statement of Responsibilities of Internal Auditing noted that the scope of IA encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control (IC) and the quality of performance in carrying out assigned responsibilities. At that time (1993), the scope of IA included: (a) reviewing the reliability and integrity of financial and operating information, and the means used to identify, measure, classify and report information; (b) reviewing the systems established to ensure compliance with those policies; (c) plans, procedures, laws, and regulations that could have a significant impact on operations and reports, and determining whether the organization is in compliance; (d) reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets; (e) appraising the economy and efficiency with which resources are employed; and (f) reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

Al-Twajry *et al.* (2003, p. 507) state that there are two main benefits in having an internal audit department (IAD). The first arises from the conventional audit of financial systems and controls. This has "a primary focus on the prevention and detection of irregularities, whether they arise from mistakes or fraud, and the safeguarding of the assets of an organization (Albrecht *et al.*, 1988; Flesher, 1996; Liu *et al.*, 1997; Hayes, 1999; Miller, 1999; Cosserat, 2000)" (Al-Twajry *et al.*, 2003, p. 507). The second is *performance audit*, "which concerns the economy, the efficiency and the effectiveness of various aspects of the organisation. Its scope can be wide ranging, but its chief purpose is to enhance the overall economy, efficiency and effectiveness of the organization by adding value to its operational performance" (Ridley, 1994, 1996; Griffiths, 1999; Wynne, 1999; Marks, 2000)" (Al-Twajry *et al.*, 2003, p. 507).

The critical importance and relevance of IA to business, as well as the *raison d'être* for the establishment of the IIA in the U. S., can best be gauged from the following comments made by one of the IIA's charter members: "Necessity created internal auditing and is making it an integral part of modern business. No large business can escape it. If they haven't got it now, they will have to have it sooner or later, and, if events keep developing as they do at present, they will have to have it sooner" (Arthur E. Hald, 1994, cited in Flesher, 1996, p. 1, 3).

Aim and motivation

The aim of this paper is to examine the perceptions that the Singaporean managerial class presently have regarding the role and effectiveness of IA in their country. Do

Singaporean managers understand the function of the internal auditor to be that of “business partner”, with an aim to improve the business, or are they viewed as “watchdogs” of the organization that scrutinize every detail of business practice?

The motivation of this paper ensues from the fact that the internal auditor’s role is becoming increasingly important to organizations. Even though internal auditors today do not focus only on financial information, this has typically been a priority at many firms (Al-Twaijry *et al.*, 2003, p. 514). Nowadays, internal auditors have a much broader responsibility. Senior management today are reliant upon internal auditors not just to reduce the cost of external auditing, but to provide assurance, confidence and trust that the ICs are operating effectively and that the business itself is efficient (Al-Twaijry *et al.*, 2003).

The remainder of the paper is structured as follows. Section 2 provides an overview of the development and objectives of an internal audit. It also includes a discussion on internal control, and an analysis of the aftermath of the Enron scandal. Auditor independence and corporate governance are also discussed. Section 3 presents a description of the study’s research methodology, including details of population, sample size, sample selection, data collection and structure of questionnaire. We present and discuss the results of our survey in Section 4. We first discuss the perceptions of the interviewed Singaporean managers (in aggregate) regarding the role of IA today, as well as its relative effectiveness. In the second part of Section 4 we discuss to what extent the four groups of survey respondents - directors, financial controllers, mid-level managers and general executives (who work under mid-level managers) – agree or otherwise with further statements about the role and effectiveness of IA. Section 5 concludes the paper.

Literature review

Introduction

Our focus is the internal audit, which began in the U. S. in the 1940s as an intra-organizational professional tool. Serious problems concerning organizational control and supervision, as well as the rapid growth of the public sector, resulted in the demand for independent internal testing and evaluation systems which could assist senior management in both achieving efficiency and protecting assets. The field’s pioneers soon found themselves implementing and conducting intra-organizational activities which had not existed previously in any form. The new task rapidly became “institutionalized”, and around 1941 was dubbed “internal audit”. The IIA defines an internal audit as “an independent activity which is established as a service inside an organisation, it examines and evaluates the suitability and effectiveness of other controls” (cited in Friedberg *et al.*, 1995, p. 15). This statement reflects the modern day de-emphasis of accounting and financial matters and the modern objective of IA being to add value to all of the organization’s activities.

Definition

IA is a check on the adequacy and effectiveness of the organization’s other controls. The ICs are the door through which internal auditors examine and evaluate the organization’s functioning. IAs are appointed by senior management and report to senior management. Typically, a large organization will have an IAD that periodically examines the functioning of all of the organization’s operating units. The director of the IAD usually reports to the Senior Vice-President of Finance or to the CEO and also to the board of directors. Many boards now have audit committees that work with the IAD head.

“Classical IA”, with its focus on accounting and financial performance, has been gradually expanded to include more and more operating aspects of the organization thus evolving into “modern IA” or “operational auditing”.

The aim of *operational auditing* (also known as performance auditing) is to improve organizational efficiency and effectiveness through constructive criticism. The four main elements of operational auditing are: (a) verification of written records; (b) analysis of policy; (c) evaluation of the logic and completeness of the procedures, internal services, and staffing to assure that they are efficient and appropriate for the organization’s policies; and (d) reporting recommendations for improvements to senior management. Operational auditing is thus the “modern version” of IA which has become an indispensable management tool for achieving effective control in both public and private sector organizations.

The expectations gap in internal auditing

Although it is a clear departure from IA’s traditional role of exclusively serving the audit committee, Cosmas (1996) points out that modern marketing techniques have emerged to draw operating management into IA’s “circle of customers”. A number of authors find that audit customers do not always appreciate the value of the IA function. For example, Galloway (1995) points out that senior managers may restrict the IAD’s role to the evaluation of ICs over traditional areas such as accounting and finance. Furthermore, Mathews *et al.* (1995) note an apparent lack of understanding of the wide range of services that IA can provide. In a survey of Australian CEOs, these authors find that 41.8% of the respondents believe that the IA function is simply an independent appraisal of the IC system. Regarding information system audits, Hunton and Wright (1995) report general dissatisfaction with auditors’ abilities to clearly communicate findings and recommendations, auditors’ technical skills, and the perceived net benefit of implementing audit recommendations. Further to this, the May 1997 international edition of *Accountancy* (Anonymous, 1997) reports that a recent survey commissioned by The Chartered Institute of Public Finance and Accountancy (CIPFA) provides evidence of a thriving IA “expectations gap”.¹

IA Objectives

Before the 1950s, IA activities in many organizations focused on financial audit; IA departments were heavily involved in the review of financial statements. At present, however, IA takes on a much broader role, as is suggested by the IIA in its Statement of Responsibilities of Internal Auditors:

“The objective of internal auditing is to assist all members of management in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations and pertinent comments concerning activities reviewed.” Internal auditors are concerned with any phase of business activity in which they can be of service to senior management. This involves going beyond a study of the accounting and financial records to obtaining a fuller understanding of the operations under review.

However, because the objective of IA must be consistent with the function of IA, it must also involve ensuring and promoting the accountability of management. Accountability is

¹ Remember of course that internal audit customers are all internal to the organization. As such, although the expectations gaps of internal and external auditing are conceptually equivalent, their effects and implications are different.

the everlasting subject of auditing and accounting. Although it is difficult to define “accountability” precisely, it involves the obligation or responsibility of management to take custody of and utilize the economic resources entrusted to them by beneficial owners, and report to those owners the results/position of custody and utilization (Cai, 1994). This is consistent with both the agency theory perspective (Jensen and Meckling, 1976; Watts, 1977; Watts and Zimmerman, 1986) and the Marxist perspective that accounting is the primary mechanism whereby senior management report the rate of return on capital employed (in Marx’s words, the “rate of profit”; Bryer, 2006, p. 567; Marx, 1981, p. 134, 139, 161) to *social capital* (investors) (Bryer, 1999, 2006, p. 576-7; Carter and Tinker, 2006, p. 526).²

Based on the understanding above, we may divide accountability into two components, namely “behavioral responsibility” and “report responsibility”. The former points to the responsibility of operating and managing the entrusted economic resources in accordance with such requirements and principles as: (a) maintenance; (b) compliance; (c) economy; (d) efficiency; (e) effectiveness; (f) social benefit; and (g) control.

This correspondingly forms “maintenance responsibility”, “compliance responsibility”, “economic responsibility”, etc. By contrast, “report responsibility” is concerned with the responsibility of reporting the position of the operations in line with such requirements and principles as truth, fairness and credibility. As Bryer (2006, p. 565-6, 576-7) explains, the responsibility of senior managers *within capitalism* is to report the rate of return on capital employed to social capital (investors), whilst the responsibility of line managers, in turn, is to report the rate of return on capital employed to senior managers.³ The first condition for any form of audit is that there is a relationship of accountability. The same is true of IA. IA is an integrated part of the process by which modern managers discharge their accountability to social capital.

Developing the Internal Audit Function

The 1990s have seen a significant need for the provision of IA services in the U. K. and in other Western countries. In the Cadbury Report, Sir Adrian Cadbury highlighted the critical nature of ICs and asserted that the failures of listed companies in the past have all involved failures of ICs (Ernst & Young, 1995). The principal mechanism used by boards to monitor quality of IC is the IA function. The Cadbury report further suggests that it is good practice for companies to establish IA functions to undertake regular

² A major limitation of agency theory is presented by the late Marxist economist, Ernest Mandel (see Mandel 1976, p. 53-54 and p. 54, fn. 48) in his discussion of the 1972 *American Economic Review* paper by Alchian and Demsetz: Why is it that owners’ myopic pursuit of wealth is implicitly endorsed by agency theory, whereas the agent’s desire for anything other than surplus value production is frowned upon? For example, the senior management of the Australian company James Hardie Industries, who colluded with shareholders to restrict substantially liabilities for damages to former employees for asbestos-related diseases, were both acting in a way approved of by agency theory. However, other stakeholders, such as employees and the community, regarded the company’s actions much less favourably.

³ Bryer (2006, p. 561-4) relies upon the dichotomy explained by Marx in the Appendix to Volume One of *Capital* (Marx, 1976, p. 948-1084). There Marx distinguishes the early stage of capitalism by the “formal subsumption of labour” and more advanced larger-scale capitalism by the “real subsumption of labour”. When labour is only formally subsumed by capital, labour is only made accountable for the means of production and the production of commodities as “things” (Bryer, 2006, p. 563). However, when labour is really subsumed, as in late-stage capitalism, labour is also made accountable for the rate of return on capital employed, i.e. for surplus value creation, or the use of capital to create more capital (Bryer, 2006, p. 563-4). Thus if capital fails to multiply itself with sufficient vigour, it is labour which is completely responsible under the real subsumption of labour.

monitoring of key controls and procedures. A mid-1990s U. K. survey (Liu and Poi, 1993) shows that while there is some evidence of external providers (out-sourcing of IA), there is an increasing trend towards the use of in-house departments (89%). In addition, an independent survey commissioned by the U. K. office of Ernst & Young (1995) revealed that in 1995 61% of surveyed organizations had an IAD. Of the remainder, one in five asserted that they intended to establish an IAD in the near future. Furthermore, three in ten of these organizations believed that the contribution of the Cadbury Code and the expectations of non-executive directors made it more likely that they would establish an IAD in the near future.

Setting up and maintaining an IAD poses a significant challenge to the many organizations that prefer to use an “in-house department approach”. This challenge is caused by inadequate documentation on how an IAD can be strategically set up. It seems odd that organizations are prepared to spend large amounts on restructuring and reorganizing but seldom do they take a strategic view regarding the initial design of the IAD.

“Benchmarking” is a relatively new process improvement tool, and can be used as a driver to ensure that IA is conducted in a manner that assures quality. The idea of benchmarking is simple and attractive. It is an attempt to encourage organizations to move away from the syndrome of “not invented here” and encourages them to learn from one another and (where appropriate) adopt the best practices of the industry leaders. Although the idea is simple, benchmarking activities are not easy to plan and implement. This is especially true where systems have been in use for a long time and they have become the “traditional way of doing things”. In such cases, revolutionary changes are often required. Concepts such as Business Process Re-engineering (BPR) and Total Quality Management (TQM) are often seen as the way forward. However, while these tools may be useful for senior management in “conceptualizing” problems or issues, they do not address the operational problem areas where the effect of change is more immediate, and where both remedial action and effective communication are needed (see, e.g. Major and Hopper, 2005; Wickramasinghe and Hopper, 2005).

IA Function

The function of IA is a controversial issue in auditing theory and practice. There is a widespread view in Western auditing circles that IA is an “independent appraisal” function. This can be identified by means of some official definitions. We cite the following three examples for illustrative purposes:

“Internal audit is an independent appraisal within a department which operates as a service to management by measuring and evaluating the effectiveness of the internal control system. Thus, it is concerned with a department's efficiency, effectiveness and economy” (H. M. Treasury (U. K.), 1995).

“Internal auditing is an independent appraisal function established within an organisation to examine and evaluate its activities as a service to the organisation” (IIA, 1979).

“(A)uditing seeks to prevent fraud and waste, ensure the accuracy of operations, ensure compliance with applicable laws, and promote adherence to stated policies including legislation” (Mikesell, 1998).

To achieve the objectives discussed previously, we must satisfy three basic conditions – (a) independence; (b) organizational status; and (c) objectivity.

(a) Independence: IA independence is an essential component of corporate governance (Al-Twajjry *et al.*, 2003, p. 517). Without independence, the internal auditor simply becomes a part of the management team, losing the ability to offer a fresh perspective through an objective evaluation. Although complete independence is not an attainable goal, practical independence is possible and essential (Sawyer, 1995). This independence can be obtained from two characteristics - organisational status and objectivity. Hawkes and Adams (1995) find that audit customers feel that IA is enhanced when auditors and audit customers establish close relationships based on a co-operative and participative approach, as opposed to an independent and prescriptive appraisal approach. These findings indicate that, although audit customers realize the importance of auditor independence, they feel that it may be overemphasized. In contrast to external auditors, IA independence must exist more in fact than appearance, i.e. pragmatism seems to be the acid test to determine whether a sufficient degree of independence is attained.

(b) Organizational status: As suggested in the IIA's Statement of Responsibilities, the organizational status of the IA function, and the support accorded to it by management, are major determinants of its range and value (Al-Twajjry *et al.*, 2003, p. 521, 528; Sawyer, 1973). The IAD's head, therefore, should be responsible to an officer whose authority is sufficient to assure both a broad range of audit coverage and the adequate consideration of, and effective action, on the audit findings and recommendations. IAs should report to an organizational level above the levels audited. The higher the organizational level reported to, the greater the potential effectiveness of internal auditors and the IA function (Al-Twajjry *et al.*, 2003, p. 518).

(c) Objectivity: The IIA's Statement deals with objectivity as follows: "Objectivity is essential to the audit function. Therefore, internal auditors should not develop and install procedures, prepare records, or engage in any other activity which they would normally review and appraise and which could reasonably be construed to compromise the independence of the internal auditor" (cited in Liu *et al.*, 1997). However, the IA's objectivity is not adversely affected by their recommendations for improvements to the systems and procedures that were the subject of the review.

Reliance on internal audit

External auditors will assess the ICs to determine whether they may rely on the controls and thereby reduce the number of substantive procedures to be carried out in the discharge of their statutory duties (Gay and Simnett, 2005). An IA function must be assessed by the external auditors in determining the reliance which can be placed on IA findings.

The U. K. auditing standard relevant to internal audit is SAS 500, which sets out the factors to be considered when assessing the level of reliance to place on internal audit. It specifically mentions the following matters:

(a) Organizational status: To ensure objectivity, IAs must be as independent as possible; ideally they should report to the board of directors and/or the audit committee and should be free to report to the external auditor (Al-Twajjry *et al.*, 2003, p. 518). External auditors need to take into account any constraints or restraints placed on IA which may result in adverse findings being suppressed.

(b) *Scope of Function:* The external auditor should consider whether the IAD's recommendations have been implemented.

(c) *Technical Competence:* External auditors need to be satisfied that the IAD is comprised of competent, experienced and appropriately qualified staff (Al-Twajjry et al., 2003, p. 522-4, 528; Albrecht et al., 1988; Jin'e and Dunjia, 1997; Moeller and Witt, 1999). External auditors may wish to review the recruitment and training of IA staff, as well as their professional qualifications. Unqualified staff should be encouraged to take professional examinations and ongoing staff training should be in place (Al-Twajjry et al., 2003, p. 523-4, 528; Albrecht et al., 1988; Bethea, 1992; Ridley and Chambers, 1998).

(d) *Due Professional Care:* External auditors should assess whether IA work is properly planned, supervised, reviewed and documented. The existence of adequate audit manuals, work programmes and working papers may be considered when assessing this aspect.

Good internal controls and auditor independence

Enron's auditors paid the ultimate price for their role in the bankrupt company's failure. Auditor independence, or the perceived lack thereof, is a major focus of the U. S. Sarbanes-Oxley Act of 2002. Many have suggested that auditor independence has been impaired because outside auditors are hired and paid by the company they are charged with auditing. Furthermore, it is the person most involved in the company's financial records, the CFO, who has primary responsibility for hiring and retaining the outside auditor. The Sarbanes-Oxley Act requires that the audit committee be "directly" responsible for appointing, determining compensation, and overseeing the work of the outside auditors. This is a positive step and should improve auditor independence, as long as audit committees take their responsibilities seriously and do not delegate them to management.

Many discussions of business failures reveal a lack of understanding of ICs. In the case of Enron, there has been some discussion of IC procedures as they relate to transaction review requirements. The fact that Andersen performed IA work for Enron has led some to believe that, therefore, Andersen must have known what was going on inside Enron.

These elusive references to ICs are what resulted in the ban on CPA firms performing IA services for a company whose financial statements they audit. The rationale is that a CA/CPA firm which performs both functions for a company compromises its independence, thus making it impossible for it to adequately fulfill its public reporting responsibilities.

However, IA work is significantly different *in its nature* (Al-Twajjry et al., 2003, p. 523) from external audit work which involves certifying a set of financial statements. Poor skills (Al-Twajjry et al., 2003, p. 522-4, 528; Albrecht et al., 1988; Jin'e and Dunjia, 1997; Moeller and Witt, 1999), and a shortage of internal auditors, rather than a lack of independence, are what primarily lead external audit firms to do poor quality IA work. A failure to understand the root cause of this problem will, of course, lead to an ineffective solution.

The general assumption is that external auditors are experts in the area of ICs. External auditors often do evaluate ICs, but what is not commonly understood is that this review is limited (Gay and Simnett, 2005). The external auditor's primary purpose is to express an opinion on a company's financial statements. To the extent that a review of certain

controls can further this purpose, external auditors include such a review within the scope of their work.

Two points are worth considering. First, in some cases an external auditor may find it more cost-beneficial to audit specific financial transactions and avoid any reliance on controls (Gay and Simnett, 2005; Locatelli, 2002). This is perfectly acceptable, but it results in no independent external evaluation of controls. Second, external auditors are primarily concerned with financial controls, which are only one of three important control areas, the others being operational and administrative controls. External auditors generally don't include these other control areas within the scope of controls reviewed for the financial statements. However, such control areas are included in the scope of work performed by IAs.

Not only are the various types of controls different, the approach to auditing these controls differs as well. In general, the scope of an external audit is much more defined and closed-ended, whereas the scope of an IA is broader and more open-ended. External auditors focus *after the fact* (primarily) on a distinct set of documents, and ask the question: "What, if anything, went wrong?" On the other hand, IAs focus on *the ongoing process* and assess risks and controls to answer the question: "What could go wrong?" While one can take the time and effort to develop the skills to perform both types of audits, competence in one doesn't always imply competence in the other.

In addition to the different skills required of external auditors and IAs, another important fact is that outsiders are not insiders. A good IA staff will develop valuable working relationships with employees at all levels throughout the company. If the IAs are on-site full time, these relationships grow stronger and employee concerns are likely to surface more readily and can be addressed in a more timely fashion. Not only are external auditors not generally on-site full time, but the AICPA and similar Codes of Ethics preclude external auditors from being connected with a client in a capacity similar to that of an employee. As a result, a good in-house IAD is better able to identify issues and reallocate its resources throughout the year to those areas that present the greatest risk. However, it is also true that the independence of internal auditors is, by necessity, slightly less than that of external auditors. This is the necessary cost of internal auditors being "internal".

Corporate governance effectiveness

Although the IA function is not traditionally considered an active player in corporate governance, recent events have shown the crucial role the internal audit plays in monitoring the corporation's activities and providing information to senior management. With WorldCom and other recent corporate problems (Applegate, 2002), the IAD's role is being examined more closely and perhaps under a new light. The role of the IAD has expanded over the past decade to include detection of fraud in external financial statements. In 1991 Courtemanche identified the new role of the IAD as "neo-modern internal auditing - serving the needs of the board, senior management, outside auditors and operating management" (Courtemanche, 1991, p. 106). Likewise, Johnstone *et al.* (2001) call for the study of incentives on audit decisions and the recognition that IA has a function in corporate governance. The IAD's expanding role may give rise in the future to more sustained intra-organizational conflicts (Major and Hopper, 2005; Wickramasinghe and Hopper, 2005) with senior management, boards of directors and external audit firms.

Different viewpoints on independence can influence audit decisions and corporate governance (Kinney, 1999). A recent empirical study of the IA function shows that factors that may influence an auditor's ability to recognize an ethical dilemma include years of employment and peer-group influence (Larkin, 2000). In a way, the ethical dilemmas faced by IADs may be more severe than those experienced by the other groups. This is because the IAD has a "boundary-spanning" function. The head of IAD is an employee of the organization, under the ultimate supervision of the CEO. Yet the IAD head and her/his team are also charged with verifying adherence by company employees to company policies. This dual role plays an important part in the checks and balances within the system, but it is far from being problem-free.

Summary

Organizations have expectations that their IADs will play leading roles in their management control systems. Thus there is a growing expectation of a widening role of the department, and the use of more sophisticated tools in conducting their role. This suggests that, in periods of change, there is more of a need for IA: in such times organizations are exposed to greater risks, and therefore the control process becomes more critical (Shaw, 1980). This paper surveys senior Singaporean managers to assess their current perceptions regarding the role of IA within Singapore, and also its relative effectiveness. The paper also provides evidence as to what extent the "modern" role of IA, as elaborated in this Section, is generally accepted and appreciated by the Singaporean managerial class.

Research methodology

Survey sample

The survey sample includes banks, insurance companies, hotels, food retailers, financial institutions, government bodies and petroleum companies. As larger companies were more likely to have an IA function, we included both listed and unlisted organizations but only those which headed groups of companies. 25 organizations were selected from the above industries. The aim of the survey was to find out how these organizations viewed the IA function. To gain an overall picture, four groups of people were targeted within each organization.

Method of data collection

Data for this survey was obtained through mailed questionnaire. Questionnaires were sent by the first-mentioned author to the directors, financial controllers, mid-level managers and general executives (working under the mid-level managers) at the 25 selected organizations. A total of 100 questionnaires were mailed out, four to each company, addressed to four different levels of management, as mentioned above. A separate cover letter and a stamped, self-addressed envelope accompanied each questionnaire. 85 questionnaires were returned, of which, 83 were usable, giving a response rate of 83%. 18 questionnaires were received from directors, 22 from financial controllers, 20 from mid-level managers and 23 from executives. As in Al-Twajjry *et al.* (2003, p. 515-6), a high response rate was achieved because of personal contacts within the organizations. However, complete anonymity of both respondents and organizations was maintained in each case.⁴

⁴ Al-Twajjry *et al.* (2003, p. 516) had a response rate of 58% for their sample of Saudi Arabian internal auditors and a response rate of 85% for their sample of Saudi Arabian external auditors. Although not specifically stated in their paper, it is likely that personal contacts within the surveyed organizations

Structure of the questionnaire

There were two sections in the questionnaire. Item 1 to 3 in Part 1 asked the respondents some basic questions such as their positions in the organization, if they already had an IAD, etc. Items 4 to 13 were designed to gather information about the reporting responsibilities of the internal auditors and the respondents' understanding and perception of the IA function in the organization. Items 14 and 15 looked at the link between the work of internal and external auditors. Because of the general nature of the questions about audit function in Part 1, we aggregated the responses across all four groups of respondents. In Part 1, respondents were asked to choose the "best response" or "most important criterion" out of four or five possible responses. To assist in analysing the results, multiple responses by the same respondent were not permitted. As a result, the number of responses for all questions equals the number of respondents.

Part 2 asked specific questions on the professionalism and performance of the internal auditors and the resulting effect perceived by the respondents. Respondents were asked to indicate their answers on a 6-point Likert scale, with the extremes being "strongly agree" and "strongly disagree" with each of the individual statements made about IA. "Unable to comment" was an available option for all of the questions. Items 1 to 6 were designed to gauge the respondents' impressions of the internal auditors in terms of their knowledge, attitudes and recognition. Questions were also used to find out whether services performed by the internal auditors were perceived to be altruistic. Item 7 to 11 were designed to gauge the effectiveness and efficiency of the internal auditors. The respondents were asked whether they were satisfied with the results of the work performed by the internal auditors, and if the recommendations given were reasonable. Results for Part 2 were analysed across the four groups of respondents to see if they differed in their viewpoints on specific issues.

Results and discussion

Introduction

The findings in this section are discussed in two sub-sections, following the structure of the questionnaire.

Perception of the IA function in general (Questionnaire Part 1)

Existence of an Internal Audit department

83 per cent of respondents have an IAD in their organization. Of the respondents who do not have one, more than half do not intend to set up one in the near future. One of the reasons given why these companies do not have an IAD is the reliance on external auditors to detect deviations. The rationale behind this is the perception that external auditors are better, more efficient and save money in terms of the cost/benefit trade off. Results also show that the number of private companies having an IAD is fewer than that of listed companies. The reason for this is the mandatory provision to have an IAD in all listed firms.

Internal auditors' reporting responsibilities

The survey shows that in 60 per cent of the cases the head of the IAD reports to the audit committee. Another 20 per cent report to the CEO, while others report to the financial

allowed Al-Twaijry *et al.* (2003) to secure such high response rates. Uche (2002) outlines the key role that "personal friendships" play in the non-Western business world, which includes the Middle-Eastern, African (Uche studied Nigeria) and Asian nations.

controller or to another assigned director. Research reveals that if there is no audit committee in the organization, the CEO performs all the duties usually delegated to the audit committee. Under the Singaporean Companies Act Section 201B it is compulsory for all listed companies to set up an audit committee staffed mostly with non-executive directors.

The functional area organizations are most concerned with

It was revealed that organizations are most concerned with their accounting/ finance function when it comes to conducting IA, followed by their IT/ management information systems. The area of least concern is the marketing function.

Essentials for effective internal auditing and the functions of IAD

65 per cent of the respondents believe that having the ability to properly evaluate the IC system is the most essential aspect for effective internal auditing (ahead of auditor independence which received 19 per cent support). It is needless to say that the IC system, which has an in-built IA function, can play a significant monitoring role in maintaining accountability in any organization. As a result, one of the key roles of an internal auditor has been the identification and evaluation of adequacy and effectiveness of the organization's IC system. At the same time, most respondents (75 per cent) agree that, as a department, IAD is mainly involved with resolving problems and recommending improvements.

Key area of concern for the audit committee

64 per cent of the respondents agree that in analysing the function of the IAD, the key area of concern for the audit committee should be reviewing and monitoring management's responsiveness to the findings and recommendations of the IAD. As management is responsible for the identification, assessment, management and monitoring of risk, and also for development, operation and monitoring the system of IC, it is their responsibility to assure the board that they have done so. The audit committee should receive reports from the management on the effectiveness of the system that they have established and the results of any testing that has been carried out.

What assurance does the IA function provide?

63 per cent of the respondents think that proper identification of organizational risks, and their appropriate management, are the areas where assurance from the IA function is most demanded by internal customers. We understand it is crucial to ensure in today's business environment that risk management is given due priority to guarantee overall organizational success in the longer term.

What is the advantage of having an IA function?

The majority of the respondents (52 per cent) regard the continuous review of the accounting system and IC to be the main advantage of having an IA function. The existence of an IAD should assist the directors to discharge their responsibilities. 35 per cent think (the next most popular alternative answer) that the IA function provides the organization with profit-enhancing recommendations. The respondents selecting this alternative probably are thinking of the long-term benefits of having an IAD in sustaining organizational profitability.

Processes that are important for an IA review

Opinions are divided on this question. A good number of respondents (45 per cent) regard business planning and corporate governance as more important for IA reviews, while others (28 per cent) select the “more traditional purposes such as accounts payable and payroll”. It is, however, widely accepted nowadays, and research also confirms, that external auditors do take corporate governance into consideration while planning the audit. Companies with more independent directors on the board and on the audit committee are considered to have lower audit risk (Cohen and Hanno, 2000).

Sources of information for the internal auditors

More than half of the respondents (58 per cent) think that interviewing staff and their management is the “best” source of information to know how the system operates, followed by 22 per cent (the second most popular alternative answer), who think that reviewing existing documents, such as statutes, committee reports, policies and procedures, is the “best way”. In practice, internal auditors use both of these sources widely as complementary information sources.

Criterion to evaluate the internal auditor’s work

73 per cent of the respondents believe that the most important criterion to evaluate the internal auditor’s work should be the consistency of the internal audit report with the results of the work performed. Internal auditors should review operations or programs to ascertain that the results are consistent with established objectives and goals and that operations are being carried out as planned.

Procedures of IA an external auditor will rely on while carrying out their work

The majority of respondents (67 per cent) think that external auditors are likely to examine the “tests of the system” of accounting controls conducted by the IA. They test a sample of items checked by the internal auditors. If the results are the same as that of the internal audit, reliance can be placed on the IAD’s work, resulting in the external auditor needing to examine fewer items (Gay and Simnett, 2005). This saves external audit time and audit fees.

Most of the respondents (80 per cent) are in agreement that due professional care is the most important aspect to consider while assessing/ gaining understanding of an internal audit work by the external auditors. It was noted in Section 2 that external auditors should assess whether internal audit work was properly planned, reviewed and documented. By doing so, it can ensure that appropriate work has been carried out in each area of the audit and thus audit risk can be minimized.

Perception on auditor professionalism and audit impact (questionnaire part 2)

The internal auditor displayed sufficient background/knowledge about the operational characteristics of the activities being reviewed

Most financial controllers (67 per cent) and mid-level managers (64 per cent) “strongly agree” that internal auditors display sufficient background/ knowledge about the activities they review. Similarly, 59 per cent of the directors and 53 per cent of the general executives express the same opinion. It is of utmost importance for the internal auditors to understand the business well enough to be able to look beyond the apparent facts, and *identify root causes* of problems.

The internal auditor demonstrated technical proficiency whilst conducting the review

There was no significant difference between the four groups of respondents, with an average percentage of 56 in agreement that the internal auditor displayed technical proficiency whilst conducting the reviews.

Internal auditors should be able to identify seemingly obvious activities that may have been overlooked because of line management's focus on day-to-day operations. It is essential that internal auditors and audit customers share a similar understanding of each other's positions and agree upon the proper balance needed between controls and production/ service delivery.

The information requested by internal auditors was reasonable

The majority of the respondents support this item, with either strong or moderate agreement, that the information requested by them was reasonable. However, 23 per cent of mid-level managers disagree with this statement. This is not surprising as mid-level managers are most affected when an internal review of procedures is undertaken by the IA. With their hectic day-to-day management of the business operations, and various reporting responsibilities, internal audit puts extra pressure on their already squeezed time. They may well perceive that the auditors' asking for various documentation and repeated quizzing on different procedures goes beyond the necessary.

There was logical documentation of the internal auditor's opinions and conclusions

Directors (55 per cent) and financial controllers (59 per cent) support this statement with strong agreement. However, the survey reveals that most of the general executives (62 per cent) and mid-level managers (45 per cent) are unable to comment on this statement, as opinions and conclusions are not discussed with these two groups of respondents.

The internal auditors are business partners who work closely with the management

A large section of respondents support the role of internal auditors as "business partners". In fact, financial controllers and directors record the highest percentages of 72 and 68, respectively, in strong agreement. Executives (65 per cent) also give strong support in favour of this statement. This finding goes against Al-Twaijry *et al.*'s (2003, p. 524) result for Saudi Arabia which indicates that the "dominant paradigm" in Saudi Arabia, regarding the role of IA, remains the traditional attest of financial records function. The different result in this paper is not surprising due to the more Western-styled corporate sector in Singapore, compared to Saudi Arabia, and the presence of a larger and older external audit function in Singapore. However, only 44 per cent of the surveyed mid-level managers strongly support the statement. A possible reason could be the nature of the audit function leads the mid-level managers to suspect that they are being watched or controlled by the internal auditors, rather than working in harmony with them.

The internal auditors are external watchdogs who intrude and scrutinise the business practices

Interestingly, this item received strong opposition from the respondents. More than half of the directors, financial controllers, and executives strongly disagree that internal auditors have the watchdog function. The only group of respondents who express agreement with this item is the mid-level managers with a high percentage of 52, consistent with their views expressed in the earlier responses.

Was the review contained in the audit report concise? Explicit and discussed?

There are mixed findings for this item. 70 per cent of the financial controllers agree that the audit report was concise, explicit and discussed. Similar response is received from the directors. More than 80 per cent of the managers and executives are, however, unable to give their comment on this, which is consistent with their response to earlier items. Having no access to the audit reports could be the possible reason for this.

It is necessary to add here that internal auditors must be able to “sell” the solution to key members of the organization. If internal auditors are not able to do this to the upper management, their suggestions, while effective, may not be implemented. Draft reports are often discussed with management to confirm the findings and to establish management’s likely responses. Responses are often incorporated into the report or compiled at a later stage. It is normal to follow up on recommendations or agreed upon action points in order to monitor how the issues have been dealt with.

The internal auditor provided constructive and reasonable recommendation

While respondents agree with this item in general, 20 per cent of the managers and executives are unsure if the “best” recommendations are typically made.

Satisfaction with the overall purpose, scope, objectives, procedure and results of the review

As IA reports are understandably disclosed to and discussed among only the core management teams, a large number of respondents are unable to comment. The directors (62%) and financial controllers (60%) were in a position to comment, and register their satisfaction with the overall results of the review.

IA exercise has been beneficial

The majority of the respondents, with an average of 76 per cent, either strongly agree or moderately agree that the internal audit has been beneficial to them. It is an added assurance and protection for the employees and management. It may also provide ways to develop and implement improvements to the existing processes. Management can use the findings to ensure conformity with established standards, contract and regulatory requirements and to achieve management goals and objectives.

The presence of the internal audit department ensures that the organization is continually reviewed and improved for higher effectiveness and efficiency

In line with the responses so far, a large proportion (73 per cent on average) of the respondents strongly agree that, with the presence of an IAD, the organization will improve, to be more effective and efficient. As internal auditors are well versed in the organization’s culture, structure, record systems, policies and procedures, it enables them not only to provide a quick response to contentious issues, but also to regularly review services and operations to ensure the integrity and efficiency of the organization’s processes.

Summary of findings and conclusion

Summary of findings

In line with other survey findings discussed in Section 2, our survey also reveals a high percentage of Singaporean companies having an IAD or intending to have one in the near future. We also find evidence, consistent with the extant the IA literature, that “auditor independence” is not the most essential aspect for effective internal auditing. However,

contrary to the prior evidence of a thriving expectations gap in IA, we find the Singaporean managerial class to be generally satisfied with the professionalism and effectiveness of the internal auditors, and appreciate the presence of an IAD in the organization. The other important finding of our survey is that the conclusions and recommendations in the IA process are not discussed with the mid-level managers and general executives. We assume that these two groups receive directives based on the IA report. Very understandably, we document differences in opinions regarding aspects of the IA function between mid-level managers and general executives, on the one hand, and the other respondent groups on the other.

Conclusion

Traditionally, the IA function has been perceived to be a backroom, second-tier job with little attached glamour. However, with the emergence of high profile internal audit “celebrities”, such as WorldCom’s famous Cynthia Cooper (who unearthed the USD3.8 billion accounting fraud in WorldCom in 2002), the future of the industry looks bright and challenging.

The stringent demands placed on today’s internal auditors for integrity, knowledge, professionalism and leadership, are overwhelming. Modern day internal auditors are sought for advice on all facets of the organization. They serve functions as educators, internal and external stakeholder advocates, risk managers, controls experts, efficiency specialists and business partners in problem solving, and form a safety net for the organization. Overall, our results support the assertion that the Singaporean managerial class strongly appreciates the new role of “modern” IA, as “business partner”. Unlike in Saudi Arabia (Al-Twajry *et al.*, 2003), the traditional attest function of “classical” IA seems to have been largely supplanted as the “dominant paradigm” (Al-Twajry *et al.*, 2003, p. 524) for IA in Singapore. It is recommended that follow-up research explore the perceptions held currently about the role and effectiveness of internal audit in other Middle-Eastern and Asian nations, as well as in Africa.

References

- Al-Twajry, A.A.M., Brierley, J.A and Gwilliam, D.R. (2003), “The development of internal audit in Saudi Arabia: An institutional theory perspective”, *Critical Perspectives on Accounting*, Vol. 14 No. 5, pp. 507-31.
- Albrecht, W.S, Howe, K.R, Schueler, D.R and Stocks, K.D. (1988), *Evaluating the Effectiveness of Internal Audit Departments*, Institute of Internal Auditors, Altamonte Spring, FL.
- Anonymous. (1997), “Expectations gap in internal auditing thriving”, *Accountancy*, May, p. 14.
- Applegate, D. (2002), “Shifting our focus”, *The Internal Auditor*, Vol. 59 No. 5, pp. 76-7.
- Bethea, P.J. (1992), *A Descriptive Exploratory Examination of the Role and Responsibilities of Internal Auditing in Higher Education*, Unpublished PhD dissertation, North Carolina State University.
- Brink, V. Z. (1988), *Modern Internal Auditing*, Ronald Press, New York, NY.
- Bryer, R.A. (1999), “A Marxist critique of the FASB’s Conceptual Framework”, *Critical Perspectives on Accounting*, Vol. 10 No. 5, pp. 551-89.
- Bryer, R.A. (2006), “Accounting and control of the labour process”, *Critical Perspectives on Accounting*, Vol. 17 No. 5, pp. 551-98.
- Cai, C. (1994), *The Research on the Structure of Auditing Theory*, Southwestern University of Finance and Economics Publishing House, Chengdu, China.

- Carter, C. and Tinker, T. (2006), "Editorial: Critical accounting and the labour process", *Critical Perspectives on Accounting*, Vol. 17 No. 5, pp. 525-28.
- Cohen, J.R. and Hanno, D.M. (2000), "Auditors' consideration of corporate governance and management control philosophy in preplanning and planning judgements", *Auditing: Journal of Practice & Theory*, Vol. 19 No.2, pp. 133-46.
- Cosmas, C.E. (1996), *Audit Customer Satisfaction: Marketing Added Value*, The Institute of Internal Auditors, Institute of Internal Auditors, Altamonte Springs, FL.
- Cosserat, G.W. (2000), *Modern Auditing*, Wiley, New York, NY.
- Courtemanche, G. (1991), "How has internal auditing evolved since 1941", *The Internal Auditor*, Vol. 48 No. 3, pp. 106-9.
- Ernst & Young. (1995), *Is your Organization in a Position to Monitor Internal Control?* Ernst & Young (U. K.), London.
- Flesher, D.L. (1996), *Internal Auditing, Standards and Practices*, Institute of Internal Auditors, Altamonte Spring, FL.
- Friedberg, A., Geist, B., Mizrahi, N. and Sharkansky, I. (eds.) (1995), *Studies in State Audit*, State Comptroller's Office, Jerusalem.
- Galloway, D. (1995), *Internal Auditing: A Guide for the New Auditor*, The Institute of Internal Auditors, Altamonte Springs, FL.
- Gay, G. and Simnett, R. (2005), *Auditing and Assurance Services in Australia*, 3rd edn., McGraw-Hill Australia, Sydney.
- Griffiths, P. (1999), "Understanding the expectations of finance directors towards internal audit and its future", *Managerial Auditing Journal*, Vol. 14 No. 9, pp. 487-8.
- H. M. Treasury (U. K.) (1995), *Government Internal Audit Manual (GIAM)*, Her Majesty's Stationery Office, London.
- Hawkes, L.C. and Adams, M.B. (1995), "Total quality management and the internal audit: Empirical evidence", *Managerial Auditing Journal*, Vol. 10 No. 1, pp. 31-6.
- Hayes, R.S. (1999), *Principles of Auditing: An International Perspective*, Irwin, Chicago, IL.
- Hunton, J.E. and Wright, G.B. (1995), "How information systems managers view internal auditors", *Internal Auditing*, Vol. 11 No. 2, pp. 33-43.
- Jensen, M.C. and Meckling, W.H. (1976), "Theory of the firm: Managerial behavior, agency costs and ownership structure", *Journal of Financial Economics*, Vol. 3 No. 4, pp. 305-60.
- Jin'e, Y. and Dunjia, L., (1997), "Performance audit in the service of internal audit", *Managerial Auditing Journal*, Vol. 12 No. 4/5, pp. 192-5.
- Kinney, W.R Jr. (1999), "Auditor independence, A burdensome constraint or core value", *Accounting Horizons*, Vol. 13 No. 1, pp. 69-75.
- Larkin, J.M. (2000), "The ability of internal auditors to identify ethical dilemmas", *Journal of Business Ethics*, Vol. 23 No. 4, pp. 401-9.
- Liu, J. and Poi, G.K. (1993), *Internal Auditing*, Occasional Paper Number 7, Middlesex University.
- Liu, J., Woo, H. and Boakye-Bonsu, V. (1997), "Developing internal auditing procedures in UK organisations using a benchmarking approach", *Managerial Auditing Journal*, Vol. 12 No. 9, pp. 464-78.
- Locatelli, M. (2002), "Good internal controls and auditor independence", *CPA Journal*, Vol. 72 No.10, p. 12.
- Major, M. and Hopper, T. (2005), "Managers divided: Implementing ABC in a Portuguese telecommunications company", *Management Accounting Research*, Vol. 16 No. 2, pp. 205-29.

- Mandel, E. (1976), "Introduction to Capital Volume 1", in K.H. Marx (author), B. Fowkes (trans.), *Capital - A Critique of Political Economy Volume 1*, pp. 11-86, Penguin Books, London.
- Marks, N. (1999), "How much is enough?" *Internal Auditor*, February, pp. 28-34.
- Marx, K.H., (1976), *Capital - A Critique of Political Economy Volume 1*, B. Fowkes (trans.), Penguin Books, London.
- Marx, K.H. (1981), *Capital - A Critique of Political Economy Volume 3*, D. Fernbach (trans.), Penguin Books, London.
- Mathews, C., Cooper, B.J. and Leung, P. (1995), "CEOs' perceptions of internal audit in Australia", *Internal Auditing*, Vol. 10 No. 4, pp. 61-4.
- Mikesell, J.L. (1998), *Fiscal Administration*, 5th edn., Harcourt Brace, London.
- Miller, L. (1999), "The internal audit profession – Redefined", *The Internal Auditor*, August, p. 11.
- Moeller, R. and Witt, H. (1999), *Brink's Modern Internal Auditing*, Wiley, New York, NY.
- Ridley, J., (1994), "The pinnacle of professional status?" *Internal Auditing*, August, pp. 14-6.
- Ridley, J., (1996), "One two and many", *Internal Auditing*, January, p. 9.
- Ridley, J. and Chambers, A. (1998), *Leading Edge Internal Auditing*, ICSA, London.
- Sawyer, L.B. (1973), *The Practice of Modern Internal Auditing*, Institute of Internal Auditors, Altamonte Spring, FL.
- Sawyer, L.B. (1995), "An internal audit philosophy", *Internal Auditor*, August, pp. 46-55.
- Shaw, J.C. (1980), "Internal audit - An essential element of good management", *Managerial Finance*, Vol. 5 No. 2.
- Uche, C.U. (2002), "Professional accounting development in Nigeria: Threats from the inside and outside", *Accounting, Organizations and Society*, Vol. 27 No. 4/5, pp. 471-96.
- Watts, R.L. (1977), "Corporate financial statements: A product of the market and political processes", *Australian Journal of Management*, April, pp. 52-75.
- Watts, R.L. and Zimmerman, J.L. (1986), *Positive Accounting Theory*, Prentice-Hall, Englewood Cliffs, NJ.
- Wickramasinghe, D. and Hopper, T. (2005), "A cultural political economy of management accounting controls: A case study of a textile mill in a traditional Sinhalese village", *Critical Perspectives on Accounting*, Vol. 16 No. 4, pp. 473-503.
- Wynne, A. (1999), "Draft revised definition of internal audit", *Internal Auditing*, January, p. 21.

