

A COMPREHENSIVE REVIEW OF THE INTERNAL AND EXTERNAL AUDITING IN SAUDI ARABIA

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ABSTRACT

Auditing proficiency is significant so that financial scandals occurring worldwide are attributed to a lack of audit efficiency. All parties involved in the decision-making process rely on audited financial accounts. However, existing studies are outdated, necessitating a renewed investigation into this context. The current paper addresses this gap by shedding light on the factors influencing External Auditors' (EAs) reliance on the Internal Audit Function (IAF) within Saudi businesses. The objectives are three-fold: To introduce an overview on the characteristics of the auditing profession in Saudi Arabia 2) To discuss the challenges the Saudi auditing profession faces, and 3) To identify key factors influencing EAs' reliance decisions. Through a thorough literature review and exploration of the relevant studies, it was found that auditing proficiency is crucial for preventing financial scandals, and reliance on IAF is pivotal, particularly in audit report preparation. Saudi auditing profession faces several challenges include the absence of IAF in public organizations, a shortage of qualified professionals, difficulty assessing audit firm quality, a professional services monopoly, regulatory non-compliance, and low audit fees. To overcome such challenges, the paper suggests measures like education, resources, training programs, and enhanced collaboration between internal and external reviewers. Additionally, the review reveals that the existing studies that assess the relationship between external and internal auditing in the Saudi Arabian context often offer superficial insights and are dated. Even recent studies are infrequent and tend to adopt a narrow perspective, addressing only a limited set of factors. By identifying the most prominent factors of reliance, Saudi internal auditing departments need to show superior objectivity, competency, and work performance for enhanced collaboration and increased EAs' reliance. High-quality corporate governance and Internal Control Systems are also essential. For future research, empirical examinations to identify the topmost precursors of reliance that are influential in the unique context of Saudi Arabia.

Keywords : Audit Committee (AC), Corporate Governance (CG), Internal Auditing (IA), External Auditing (EA), Internal Auditors (IAs), External Auditors (EAs), Internal Auditing Function (IAF), Corporate Governance Quality (CGQ), Saudi Arabian Capital Market Authority (CMA), Certified Public Accountants (CPA), Committee of Sponsoring Organization Treadway Commission (COSO), The International Accounting Standards Board (IASB), International Institute of Internal Auditors (IIA), Saudi Organization for Certified Public Accountants (SOCPA)

INTRODUCTION

KSA is one of the fastest-growing regions globally. To become a business center, businesses in KSA are required to adhere to laws and government guidelines (Aviaan Accounting, 2023; Mati & Rehman, 2022)

Auditing is a vital component that fosters transparency and accountability. The implementation of accountability and transparency builds trustworthy connections, boosts investors' actual confidence, and ensures the integrity, stability, and maintenance of financial processes (GrantThornton, 2023). Audited financial statements are a bedrock for creditors, investors, and regulatory organizations to make well-informed decisions. The external audit has an indispensable role in validating the credibility of financial information, and the internal

audit is another valuable perspective of fostering accountability and transparency (GrantThornton, 2023; Kateb & Belgacem, 2023). Collaboration between the two parties (internal and external auditing) is recommended by international standards and regulations (Bajra et al., 2023; Breger et al., 2020; Linzy, 2022). Therefore, the reliance of external auditors on the internal auditing function' work has become a fundamental practice. According to this articulation, a fundamental question is 'what makes the internal auditing function (IAF) effective in letting external auditors rely on their reports in the Kingdom? It is a critical inquiry that requires a profound exploration into the core of organizational accountability. To understand the auditing profession characteristics in KSA in general, and the determinants of the reliance decision in particular, it is essential to gain insights about the aspects of the IAF and the role it plays in defending financial data reliability.

RESEARCH PROBLEM AND METHOD

The external auditing profession in Saudi Arabia faces major problems (Al-Angari, 2021). These challenges can be mitigated if EAs in Saudi Arabia increased their reliance on IAs. The reliance idea from the functional overlapping between internal and external auditing. While external auditing and internal auditing have distinct scopes, they both strive to evaluate the internal control system; however, their objectives are not identical. The objective of the IAs is to offer suggestions that aid in the advancement and enhancement of the internal control system. The objectives of the EAs are risk control evaluation and audit sample identification. The fact that certain objectives are shared and overlapped fosters collaboration as well as cooperation between the two entities (Montero & Le Blanc, 2019), invoking the need for reliance as a type of cooperation and as a recommendation by international law (Bajra et al., 2023; Breger et al., 2020; Linzy, 2022). The Act known as Sarbanes-Oxley was passed in 2002, EAs have altered their focus from a pure autonomous audit to a reliance approach, raising their inquiry about how effective are the company's controls over financial reporting (Breger et al., 2020). This shift emphasizes that in a global business environment where stakeholders demand accurate and trustworthy financial reporting, a robust internal audit function plays a pivotal role. The Sarbanes-Oxley Act enacted in the United States, but it affected several regions all over the world, and Saudi Arabia with no exception. Accordingly, EAs in Saudi Arabia are required to increase their reliance on the IAF (Breger et al., 2020). As a consequence, IAs need to recognize the precursors that support the reliance decision as a recommended contemporary auditing practice. However, and despite of the increased importance of IA reports for the Saudi Arabia's economic landscape, numerous organizations in KSA do not have IA and the practice is not as common (Hamdallah, 2020).

Generally, a knowledge gap appears in the context of Saudi Arabian businesses. There is a lack of an in-depth understanding of internal auditing practices and their characteristics that facilitate or hinder the cooperation with the EAs. In other words, little is known about the efficacy of internal auditing, the challenges it may face, and the complicated interplay with external auditing, and how this interplay impacts on reliance decisions. A practical- knowledge gap is also apparent in prior research. The existing literature lacks a focused investigation that aggregates and identifies the factors that shape the relationships between internal and external auditors.

RESEARCH QUESTIONS, OBJECTIVES AND CONTRIBUTIONS

Theoretically and relying on an extensive exploration of the existing studies, the current research seeks to reply to three main questions:

- What are the overall characteristics of the auditing profession in KSA?
- What are the challenges of the auditing profession in KSA?
- What are the key factors influencing EAs' reliance decisions in general?

To reply to these questions, the objectives of the current research are:

- To introduce an overview on the characteristics of the auditing profession in Saudi Arabia,
- To discuss the challenges the Saudi auditing profession faces, and
- To identify key factors influencing EAs' reliance decisions.

By utilizing a theoretical investigation of the literature around the dynamics between external and internal audit functions, the current study contributes to the literature on auditing in the KSA. It contributes to the ongoing dialogue on effective audit practices within the KSA, as a unique socio-economic context. By examining the chain between external auditors and the IAF, this research offers a novel perspective that contributes to the broader understanding of auditing practices, providing valuable insights for practitioners, regulatory bodies, and academic scholars.

AUDITING PROFESSION IN SAUDI ARABIA

Saudi Arabia's Vision 2030 fundamentally seeks to transform the Kingdom into a global investment powerhouse. Accordingly, to Vision 2030, a series of transformative evolutions have been watched in auditing practices. Auditors are now expected to perform a more consultative function not just the traditional role of financial verification. They are required to instruct organizations about risk management regulatory compliance, and growth opportunities. To endure a continuous evolution, the government regularly introduce new financial transparency laws and stricter regulations (Wafeq, 2023). The Capital Market Authority (CMA) introduced the Corporate Governance Regulations (CGR) in 2017, which are applicable to all firms registered on Tadawul (Saudi Stock Exchange). The CGR mandates that firms implement audits and delineate regulations for risk oversight and internal governance. Corporations are obligated to reveal their adherence to these standards in yearly reports, and any failure to comply must be clarified (Beyond Governance, 2023).

Audit in KSA is to review the financial statements to check whether they fairly present the financial position for the period under review (Aviaan Accounting, 2023). SOCPA ("the Saudi Organization for Chartered and Professional Accountants") represents the professional and responsible body for regulating the Saudi Arabia's accounting profession. For example, setting audit standards and registering and licenses accountants are among the responsibilities of SOCPA (ALSulmiCPA, 2023). External auditing is mandatory for all public companies in KSA. Private companies listed on CMA are also required to have their financial statements audited, with some exceptions from appointing an external auditor (ALSulmiCPA, 2023).

Auditing proficiency is significant so that corporate and financial scandals occurring worldwide are attributed to lack in audit efficiency (Al-Qublani et al., 2020). Auditing is done internally within organizations and externally by independent auditing firms. Internal Auditors (IAs) have a role in fostering transparency and accountability inside organizations. They evaluate internal control mechanisms, governance techniques, and risk management. Their primary responsibility is to offer leadership for conducting unbiased and impartial assessments, identifying areas of enhancement and guaranteeing sufficient controls implementation. IAs actively contribute to reducing risks, preventing fraud, and improving operational efficiency, while also advocating for the implementation of effective governance procedures (IIA, 2020). On the other hand, External Auditors (EAs) evaluate the adherence to internal control systems, accounting principles, and rules. External audits are crucial for ensuring stakeholders and enhancing the transparency and trustworthiness of financial information (Aviaan Accounting, 2023).

The responsibilities and functions of internal and external auditing can overlap; for example, in the evaluation of the efficaciousness of the internal control system and the examinations of financial accounting information and controls (Suh et al., 2021). This overlap raises opportunities for coordination and collaboration between the two parties for achieving higher quality audits and economic advantages benefits advantages (Ganda Saputra & Yusuf, 2019).

Through employing the expertise of the IAs, the duplication of effort can be minimized, hence reducing the expenses associated with the external audit. On the other hand, IAs can utilize the expertise of EAs when the

internal audit department needs support. Additionally, the client benefits from such collaboration by enhancing & increasing the quality and the efficaciousness of the firm's structures and actual operations (Quick & Henrizi, 2019). Regulators and professional standards (s.g. International Standard on Auditing (ISA) 610, revised, 2013") encouraged EAs to leverage the efforts of the IAF, granted that internal audit activities conform to predetermined criteria. However, EAs should evaluate the risk of material misstatements in the financial statements ("ISA 610.18"), verify the current operational standing of the audit function. as well as pertinent organized policies and clear mechanisms, support the objectivity of the IAs and assess the IAF's degree of proficiency (IAASB, 2013). External quality audit strengthens credibility by providing reliable financial statements (Eshikhunyi, 2021). In order to make accurate choices, external stakeholders, including shareholders, creditors, and regulatory bodies, depend on audited financial statements. (GrantThornton, 2023). External audits contribute to the transparency and credibility of financial information and play a crucial role in assuring stakeholders (GrantThornton, 2023). The AC and external quality audit are the most essential tools for improving financial performance and the quality of financial reporting (Kateb & Belgacem, 2023).

The auditing profession in Saudi Arabia faces several challenges. Despite of the fact that IA departments are required by law, the IAF does not exist in many Saudi public organizations (Almahuzi, 2020; Hamdallah, 2020). More challenges include, a shortage of qualified professionals (Al-Angari, 2021), the quality level of audit firms is difficult to be determined (Al-Angari, 2021), monopoly of professional services with a limited number of big firms (Kateb & Belgacem, 2023), non-compliance with regulations, low audit fees (Al-Angari, 2021; Kateb & Belgacem, 2023), and most importantly need for higher reliance on IAF according to the standards (Bajra et al., 2023; Breger et al., 2020; IAASB, 2013; Linzy, 2022). These challenges can also be mitigated by proper education, adequate resources, and conducting various training programs in addition to increasing cooperation and synchronization between the In-house and External reviewers, to eventually maximize the EAs' reliance on the IAFs (Kateb & Belgacem, 2023).

In short, auditing proficiency is crucial for preventing financial scandals, and reliance on IAF is pivotal, particularly in audit report preparation. However, Saudi auditing profession faces several challenges such as the absence of IAF in public organizations and a shortage of qualified professionals. Therefore, more actions and practices such as increased collaboration between the external and internal auditing. A recommended type of collaboration is the EA's reliance on the IAF.

PRECURSORS OF RELIANCE

The precursors of EA's Reliance can be identified from an extensive review of the related studies as follows:

Alzeban (2019) paid attention to the implications of adherence to standards by the IAF on the quality of financial reporting. Data were gathered from annual reports and 142 Saudi-listed companies, in particular, Chief Audit Executives. The authors utilized two proxies: flexible accruals and accruals quality, to ultimately provide comprehensive assessments of financial reporting quality. Higher compliance with standards demonstrates more enhanced financial reporting quality. Moreover, the interplay between IA competency and compliance has an influence on the financial reporting quality. The study is deemed credible due to the robustness of the results, that were confirmed through an additional analysis.

Quick and Henrizi (2019) explored how environmental factors, including ICSE, CGQ, client business risk, and inherent risk, affect the extent to which German EAs can rely on IAF. The study stemmed from Hogarth's (1980) framework on information assimilation. In an experimental design, data were collected from 175 EAs who are certified. The statistical results, on the grounds of descriptive statistics and ANCOVA, emphasize and reflect main effects for each factor in addition to a two-way interaction between ICSE and CGQ. Both factors exert an influence on the EAs' confidence with the ICSE compensating for corporate governance weaknesses. Transactional inherent risk has the potential to magnify the impact of client business risk on the reliance decisions. Audit procedure type and EAs' past experiences have a significant influence on their decisions and

whether to rely, emphasizing the need to strengthen ICS and enhance corporate governance for effective internal - external auditing relationship.

Almahuzi (2020) studied how well IAs works in the KSA. On the grounds of the resource-based theory, the research looks at how both inside and outside criteria affect the effectiveness of internal audits work. It also looks at why some government organizations don't have internal audit functions. The author used a combination of methods to get a complete understanding of what the participants think. By studying 36 conversations and 290 surveys. The participants were the individuals who work in internal auditing and their managers. The author used thematic analysis to investigate the interview data and found that everyone agreed that top management support has a big impact on how effective internal audits are. The study found that how well internal audits work is influenced by support from top management, the culture of the organization, and how independent the IAs are. It also found that the skills of the IAs, how motivated they are, the size of the internal audit team, and how much they use technology also affect their effectiveness. As mentioned, Saudi public organizations must have internal audit departments by law, but many organizations do not have them. However, the study did not give more understanding about why this was not put into action, maybe by asking more questions to people.

VanStaden (2020) attempted to explain how the management, audit committee and internal and external auditors reach an agreement on reliance, based on the classic grounded theory. The reliance decision can be described as appropriate, fair, and balanced. In total, 32 interviews were run with representatives from five diverse South African listed companies, representing 25 interviews from key audit stakeholder groups and seven interviews with other knowledgeable audit professionals. The results showed that the disconnect between reciprocal influences on reliance can be resolved to achieve mutual agreement on whatever the reliance decision that reliance is appropriate and fair.

Hamdallah (2020) studied whether the internal audit's work can be utilized and relied upon by the EAs in the First Abu Dhabi Bank in UAE. The author further examined the attribute of the IAF's work that guarantees reliance and identifies the possible areas of collaboration. The target was to survey independent auditors like CPA firms. ANOVA analysis was run on 59 questionnaires and the results showed that the EAs need to rely on their counterpart work, however, attributes such as independence, quality and supervision are all influence the reliance decision. Practical independence of the IA was observed as the most determinant of reliance. The Audit Areas for EA's reliance encompasses audit of the internal control mechanisms, stockholders' equity, bank statements and audit of fixed assets. Finally, the analysis of the internal financial and accounting reports of the bank as well as independent authorities reports indicated that the bank's overall audit process had been improved due to the reliance and collaboration between IAs and EAs.

Hanif (2020) sought to assess how IAF's objectivity, competence, and efficiency of work the influence the judgment of EAs on whether to rely upon their work in Karachi, Pakistan. The author also studied the possibilities to reduce the difference between internal and external auditor's work. Exactly, 104 EAs and students studying auditing in the final stage were targeted and surveyed. Based on multiple regression model, the author found that both work performance and objectivity exert a substantial impact on the judgment of EAs. Whereas competence showed no impact on the EAs' judgment. For more enhanced reporting relationship, the emphasis should be placed on the separation of the functional and administrative aspects, maintaining a summary of problematic areas, supervision of subordinate's work, regular review of audit manuals, and follow-ups of previous audits.

Al-Shaheen and Bai (2020) performed an assessment with the objective of examining the level to which EAs count on IAF within audit companies in China. Utilizing a snowball tasting method, the scientists collected information via 9 semi-structured meetings including 7 EAs as well as 2 IAs, standing for 7 unique audit companies. The meetings involved 14 flexible inquiries classified right into 5 crucial locations: inner audit, outside audit, audit top quality, the interaction in between them as well as individuals' suggestions. The evaluation exposed a relentless dependence of outside audits on inner audits in the Chinese context. This dependency was determined as adding to time effectiveness along with improved efficiency consequently

favorably affecting audit top quality. Additionally, the research emphasized that while interior audit function needs the securing of freedom and also objectivity, exterior audit needs guarantee of professionalism and reliability, self-reliance and also credibility.

In the field of literature, Afridi's (2020) research is an important contribution as it investigates the effect of corporate governance on financial reporting quality. The investigation studies key corporate governance elements such as audit committee independence, board independence, institutional shareholders' ownership, and CEO duality to reveal a thorough understanding of their effects. In order to establish these effects, the data used covers 2009 to 2016, and multivariate regression models such as Random Effects and Fixed Effects models were used to conduct the study. The positive relationship established between financial reporting quality and corporate governance indicates that the role these governance mechanisms can perform in Pakistan Stock Exchange listed firms is significant. In this research, it has been identified that the audit committee has a constructive effect on financial reporting quality. It also identifies CEO duality, institutional shareholders' ownership, and board independence as additional factors positively influencing financial reporting quality. The results offer valuable insights for policymakers and investors. Limitations, such as the focus on the textile sector and the specific timeframe, should be considered when interpreting and generalizing the findings.

In a study conducted by Setiyawati et al. (2020), the authors explore the problem of low-quality financial reports in Indonesian local, regional, and city governments, offering valuable information that can be used to overcome this issue. Their research investigates the role of internal accountants' competency level, adherence to good governance principles, and the application of accrual-based government accounting standards as crucial determinants affecting the quality of financial reports. PLS-SEM analysis is used to evaluate data gathered from 37 local governments over a two-year period using Smart PLS. The outcomes reveal the important role played by internal accountant competency in promoting financial reporting quality, Figure 1. In addition, positive factors of financial reporting quality include adherence to good governance principles and accrual-based government accounting standards for financial reporting quality. The study's results are limited due to the regional focus on West Java and Banten, the findings cannot be generalized to other regions, employing surveys which introduce potential biases. Even so, the research provides crucial insights for improving financial reporting quality in the public sector.

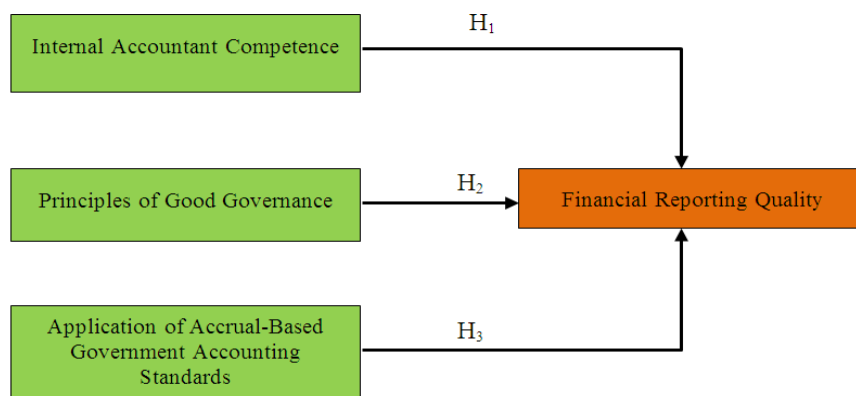


Figure 1
THE RESEARCH MODEL OF SETIYAWATI ET AL (2020)

Vamela and Setiyawati's (2021) examination attends to the pervasive concern of accountancy scams' damaging influence on the integrity of audit techniques. Making use of company concept as well as exemplifying occurrences at Toshiba Corp (Japan) and also SNP Finance (Indonesia), the research intends to assess the impact of the ICSE and the morality of accounting management on the possibility for accountancy scams. Making use of 60 surveys accumulated from economic sector firms in Jakarta as well as Tangerang, the information was based

on evaluation making use of PLS-SEM. While the ICSE does not display a substantial impact on the propensity for accountancy fraudulence, the principle of accounting management morality shows a substantial as well as considerable impact on the possibility for scams in accountancy, Figure 2. Nonetheless the geographical concentration on Jakarta along with Tangerang as well as the fairly little example dimension of 60 business might restrict the generalizability of the research study's outcomes.

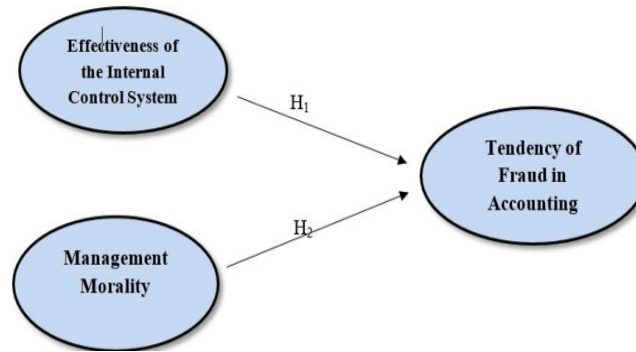


Figure 2
RESEARCH MODEL OF VAMELA AND SETIYAWATI (2021)

Kaawaase et al. (2021) sought to comprehend the interplay among diverse Corporate Governance attributes (board expertise, board independence, and board role performance) and internal audit quality and financial reporting quality within the financial institutions of Uganda. The research methodology employed is cross-sectional and correlational in nature. Survey data were collected from 67 responsible individuals, namely Chief Finance Officers, Senior Accountants, and Internal Audit Managers across diverse financial institutions in Uganda. The data analysis process was conducted utilizing the SPSS. Significant associations between various CG attributes (board expertise, board role performance) and financial reporting quality were identified. Plus, a significant relation between internal audit quality and financial reporting quality was also identified. On the other hand, board independence was not a significant predictor of financial reporting quality, Figure 3. The study is limited due to reliance on self-reported because it potentially introduces bias. The cross-sectional design provides snapshots rather than longitudinal insights; and hence did not capture changes over time. Additionally, sector restriction on financial institutions in Uganda constitute regional restriction, limiting the results generalizability.



Figure 3
THE RESEARCH MODEL OF KAAWAASE ET AL (2021)

Ashfaq et al. (2023) present a study initiated by stakeholders in Pakistan, aiming to assess the efficacy and reliability of the performance of internal auditors in influencing decisions. Employing a mixed-method research approach and drawing on agency and certification theories, the study utilizes both quantitative data analyzed with Smart PLS and qualitative data to support the outcomes. By analyzing 98 valid responses and 37 interviews, the study emphasized that independent variables (the IAF's Objectivity, Work Performance, Competence, the ICS Assessment, and Sourcing of IAF) are correlated with Effectiveness and Reliance as dependent variables, Figure 4. By collecting five cohorts of target audiences, the analysis revealed positive relationships between various IAF attributes and effectiveness, and reliance. As observed, the ICS assessment demonstrates a substantial correlation with effectiveness but in absence of statistical significance concerning reliance, attributed to the lack of well-defined ICS rules.

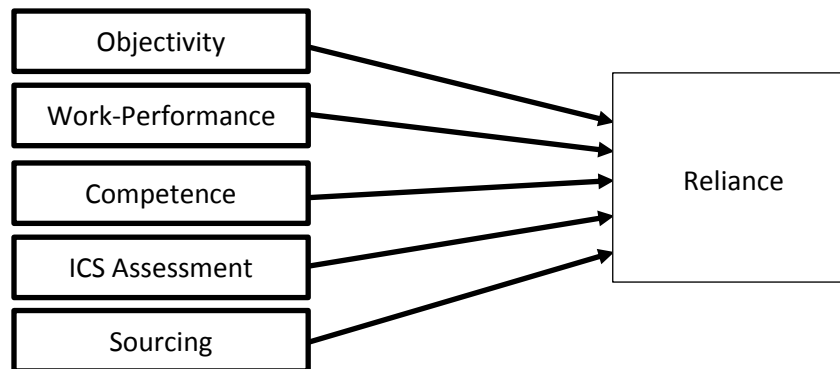


Figure 4
THE RESEARCH MODEL OF ASHFAQ ET AL (2023)

In their study, Kateb and Belgacem's (2023), inquire about the implications of audit quality, board characteristics, and the assimilation of International Financial Reporting Standards (IFRS) on the financial proficiency of Saudi Arabia enterprises. By adopting a robust approach prolonged over a four-year period, the study utilizes the generalized method of moments (GMM) system approach, ordinary least squares, and fixed effects. The choose of pre- and post-2017 periods aligned with regulatory changes; the study includes 135 companies listed on the Saudi Stock Exchange Tadawul. The findings reveal that certain AC characteristics may not significantly impact firm performance. Plus, a negative correlation was noticeable between mandatory IFRS adoption and various firm performance' measures. The study emphasizes the need for substantial resources to support the prolonged actualization of IFRS. Such resources may include educational and training programs, consultative groups, and stakeholder engagement.

The aim of Mapuli's (2023) study was to investigate the impact of the IAF effectiveness on the EAs' reliance on the IAF's work in Tanzanian-listed companies, on the ground of the audit risk model. Surveying purposively selected 100 senior EAs, a PLS-SEM analysis revealed a significant positive effect, showing the positive influences of the IAF effectiveness on the extent of reliance, Figure 5. The focus on Tanzanian-listed companies brings geographical restriction on the generalizability. Additionally, using questionnaires is a source of response biases.

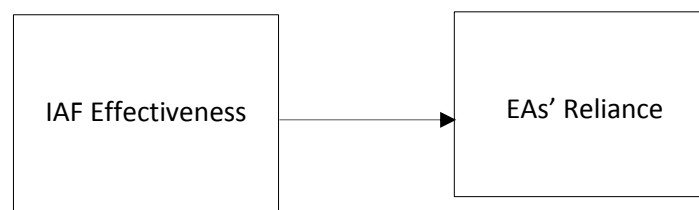


Figure 5
THE RESEARCH MODEL OF MAPULI (2023)

In their examination, Gardi et al. (2023) tested how CG, particularly focusing on the role of IFRS adoption, influence the financial reporting quality of Iraqi banks. A Sobel analysis, including 298 valid questionnaires, assessed the mediator role of IFRS adoption on the CG-financial reporting quality relationship and found a positive mediating role. This mediation reflects practical implications including improved reporting quality, regulatory compliance, better decision-making, and enhanced reputation, Figure 6. The limitations are attributed to the focus on specific region and sector (private Iraqi banks), limiting the generalizability to different regions or other types of financial institutions.

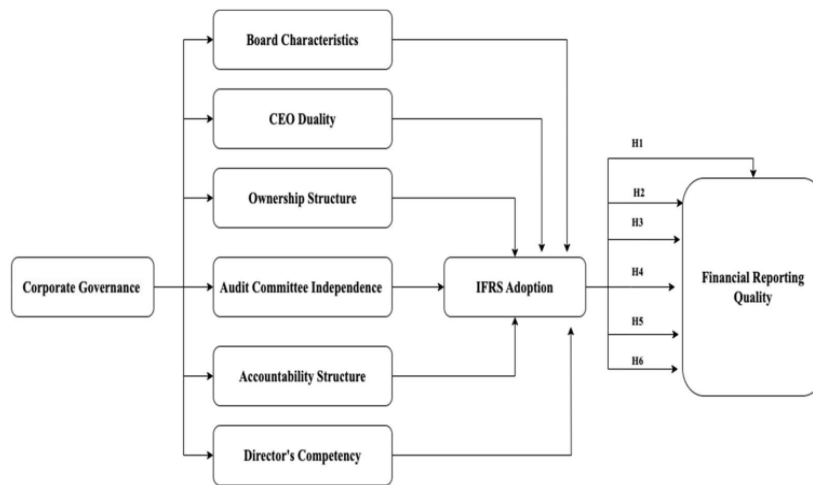


Figure 06
RESEARCH MODEL OF GARDI ET AL. (2023)

Table 1 displays a summary of the recent empirical studies related to IAF and reliance of EAs is shown.

Table 1 SUMMARY OF EMPIRICAL REVIEW						
Study	Theory	Variables	Objectives	Analysis	Approach	Findings
Quick and Henrizi (2019)	Hogarth's (1980) framework	ICSE, CGQ, Reliance	Impact of client business risk, the ICSE, the CGQ, and inherent risk, on German EAs' reliance	descriptive data statistics analyses and ANCOVA	an experimental design, 175 responses from certified German EAs	The confidence of EAs is influenced by ICSE and CGQ- The client business risk impacts negatively on the reliance
(Alzeban, 2019)	Prior research framework	RQ+CG + competence + Saudi Arabia	The impact of IA compliance with ISPPIA on financial reporting quality	Regression model	Quantitative: survey and annual report- 142 chief audit executives from Saudi listed	Positive relation between compliance and reporting quality and between competency -compliance and reporting quality

					companies and annual reports Survey+ annual	
VanStaden (2020)	The classic grounded theory	Reliance	To explain how stakeholders, (management, AC, IAs, EAs) reach an agreement on reliance to be described as appropriate, fair, balanced	Thematic analysis	Qualitative-32 interviews representing five diverse South African listed companies	the reciprocal benefits of reliance- stakeholders can ensure fair and balanced agreement on the appropriateness of reliance decisions.
Almahuzi (2020)	RBT	Competence - dependency- IAF effectiveness- Saudi Arabia	Factors of IA effectiveness, challenges of IA in Saudi Arabia	Thematic analysis and Regression model	mixed methods approach-36 interviews and 290 questionnaires . from Saudi internal audit staff and managers	- The effectiveness relates to competence and dependency of IAs- - IAF is lacking in a substantial number of organizations
Hanif (2020)	Prior research Framework	objectivity, competence, work efficiency, reliance	The influence objectivity, competence, and efficiency of work performance on the judgment of EAs- to address the approaches that reduce the difference between internal and external oversight specialists.	Multiple regression	Quantitative- survey data from 104 EAs and in Pakistan.	Work-performed and Objectivity possess significant impact on the EAs' judgment- Competence exerts no impact on the EAs' judgment.
Hamdallah (2020)	Prior research framework	IAF (independence , quality, and supervision), reliance	The attributes of IAF that influence the EAs' reliance and identify the different areas of collaboration	The descriptive and ANOVA analysis	Quantitative, case study-59 questionnaires at the First Abu Dhabi Bank in UAE	Independence, quality, and supervision are influencing the reliance decision- the Areas for Reliance include auditing of the ICS, stockholders' equity, bank statements and fixed assets.
Al-Shaheen and Bai (2020)	The Agency Theory	Reliance, objectivity, independence	To assess the level of EAs' reliance on the work of IA in audit firms in China.	Thematic analysis	Qualitative- nine semi-structured interviews	The dependence of external audits on internal audits continue to exist in China- The IAs need to maintain independence and objectivity, while EAs need to ensure professionalism, independence, and authenticity.
Setiyawati et al. (2020)	Prior Research	CG, Competence, report quality	identifying how the quality of financial reporting is affected by the internal accountants' competence, adherence to good governance principles, and the application of accrual-based government accounting standards	PLS-SEM	Qualitative- Data were collected in two-years span, targeting 37 local governments	Competence has a significant positive effect on the quality of financial reporting. Additionally, adherence to good governance principles and the application of accrual-based government accounting standards have positive impacts on financial reporting quality

Afridi (2020)	Prior research frameworks	CG, report quality	CG influence financial reporting quality	Multivariate regression	Qualitative-Financial - from 2009 to 2016 - firms listed on the Pakistan Stock Exchange	CG (CEO duality, board independence and institutional shareholders ownership) impact financial reporting quality
(Vamela & Setiyawati, 2021)	The Agency Theory	ICSE + RQ	To assess the influence of the ICSE and the morality of accounting management on accounting fraud propensity	PLS-SEM.	Qualitative-By collecting 60 surveys from private sector companies in Jakarta and Tangerang,	No significant effect of the ICSE on the tendency for accounting fraud. However, the accounting management morality demonstrates a significant influence on the propensity for fraud in accounting
Kaawaase et al. (2021)	Stakeholder Theory	CGQ + RQ	the relationship between various CG attributes in terms of board expertise, board independence, and board role performance; internal audit quality, and financial reporting quality	Correlation and regression	Qualitative-67 Chief Finance Officers, Senior Accountants, and Internal Audit Managers in different financial institutions in Uganda,	significant associations between CG attributes and financial reporting quality-internal audit quality and financial reporting quality-Board independence is not identified as a significant predictor of financial reporting quality.
(Kateb & Belgacem, 2023)	The Agency Theory	audit quality, AC attributes, board characteristics, and the adoption of IFRS+ Saudi Arabia	to investigate the impact of audit quality, AC attributes, board characteristics, and the adoption of IFRS on the financial performance of firms in Saudi Arabia	Regression analysis	Qualitative-135 companies listed on the Saudi Stock Exchange Tadawul	AC characteristics may not significantly impact firm performance- a substantial negative relationship between mandatory IFRS adoption and firm performance.
Ashfaq et al. (2023)	Agency Theory, and Certification theory	Work performance, Objectivity, Competence, ICS' Assessment, Reliance	The impact of Objectivity, Work Performance, Competence, Sourcing of IAF, ICS' assessment on Effectiveness and Reliance	Smart PLS and thematic analysis	Mixed method- 98 valid questionnaire and 37 interviews from IAF, EAs, Share Holders, Professional Bodies	Competence, as well as Sourcing of IAF on Effectiveness and Reliance were observed. Internal positive relations were observed except between ICS and reliance
Mapuli (2023)	The audit risk model	IAF effectiveness, Reliance	To investigate the impact of the IAF effectiveness on the EAs' reliance companies	PLS-SEM	Qualitative, 100 senior EAs, in Tanzania	Positive impact of the IAF effectiveness on the EAs' reliance companies
Gardi et al. (2023)	The Agency Theory	CG, report quality	the influence of CG, particularly the adoption of IFRS on the financial reporting quality	Sobel analysis	Qualitative-298 questionnaires private Iraqi banks.	a positive mediating role of IFRS adoption, the mediation reflects practical implications including improved reporting quality

RESULTS AND DISCUSSION

In general, the available research on the quality of IAF within the Saudi context is outdated and constrained. Shedding light on the most pertinent studies reveals a notable scarcity of research in the auditing field, particularly investigations into factors influencing EAs' reliance on Internal audit reports in the Kingdom as well as Arab countries more broadly, for example, Altwaijry (2017), Al-Twaijry et al. (2003), Al-Twaijry et al. (2004), and Alzeban & Sawan (2013). Even recent studies are infrequent and tend to adopt a narrow perspective, addressing only a limited set of factors. Therefore, it is difficult to obtain even a preliminary insight into the reliance level in the context of Saudi businesses landscape.

However, a prominent result states that many Saudi public organizations do not have internal audit departments, though it is required by law Almahuzi (2020). Moreover, the auditing profession in Saudi Arabia generally faces several challenges including a shortage of qualified professionals, difficulty in determining the quality level of audit firms, monopoly of professional services with a limited number of big firms, non-compliance with regulations, low audit fees, and most importantly, and need for higher reliance on IAF according to the standards. These challenges can also be mitigated by adequate resources, education, and training programs in addition to increasing cooperation and synchronization between the In-house and External reviewers, to eventually maximize the EAs' reliance on the IAFs.

Furthermore, the quality of the IAF is evidenced to be affected by several inherent factors, most prominent, work-performance, competence, and objectivity; and external factors such as CGQ, ICSE. The internal reporting quality is influenced by corporate governance, audit quality, audit committee attributes, and board characteristics (Kateb & Belgacem, 2023). Though such factors remain rather under investigated areas. Additionally, no single study has collectively investigated the influence of technical factors such as objectivity, competence, and work performance, as well as environmental factors such as ICSE and CGQ in a single study. No single study attempted to investigate how reporting quality, in particular, influences the EAs reliance decision, nor how the internal-external relationship can be affected by the mediating role of internal audit reporting quality.

CONCLUSION

Auditing proficiency is significant so that corporate and financial scandals occurring worldwide are attributed to a lack of audit efficiency. All parties involved in the decision-making process rely on audited financial accounts. EA is an independent examination of financial data and plays a crucial role in ensuring financial transparency and accountability. SOCPA is the regulatory body for maintaining the profession's integrity in the KSA. Preparation of the audit report is a pivotal area with a potential for reliance on the IAF. However, the auditing profession in Saudi Arabia encounters several challenges, encompassing the absence of IAF in many public organizations despite legal requirements. Further challenges include a shortage of qualified professionals, difficulty in determining the quality of audit firms, a professional services monopoly held by a limited number of large firms, non-compliance with regulations, and low audit fees. Crucially, these challenges can be alleviated through effective education, ample resources, diverse training programs, and enhanced collaboration between internal and external reviewers; by increasing reliance on IAF under standards. To increase reliance, the IAF should show superior objectivity, competency, and work performance. Moreover, factors such as corporate governance and ICS need to be of a high-quality level. For future work, extensive empirical examinations are crucial for determining the most influential factors, both technical and environmental, that influence the collaboration relation between the internal and external reviewers in the context of Saudi Arabia Context.

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