

**T.C.  
ISTANBUL AYDIN UNIVERSITY  
INSTITUTE OF GRADUATE STUDIES**



**FACTORS AFFECTING THE RELATIONSHIP BETWEEN INTERNAL AUDIT AND EXTERNAL  
AUDIT IN BANKS AND THEIR IMPACT ON STRENGTHENING THE INTERNAL CONTROL  
SYSTEM AND REDUCING THE COST OF EXTERNAL AUDITING**

**MASTER'S THESIS**

**Gehad Khaled LABEED**

**Department of Business  
Business Administration Program**

**June, 2023**



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**Department of Business**  
**Business Administration Program**

**Thesis Advisor: Assist. Prof. Dr. Ibrahim MERT**

**June, 2023**

**APPROVAL PAGE**

## **DECLARATION**

I hereby declare with respect that the study “Factors Affecting The Relationship Between Internal Audit And External Audit In Banks And Their Impact On Strengthening The Internal Control System And Reducing The Cost Of External Auditing”, which I submitted as a Master thesis, is written without any assistance in violation of scientific ethics and traditions in all the processes from the Project phase to the conclusion of the thesis and that the works I have benefited are from those shown in the Bibliography. (.../.../20...)

Mohammed Abdulridha ALOBAIDI

## FOREWORD

This thesis was written as completion of master's degree in business administration at the Istanbul Aydin University, Turkey. I would like to foreword gratitude to my thesis advisor Assist. Prof. Dr. Ibrahim MERT, for the guidance, understanding, and patience he presented during my thesis writing experience. I'd like to thank our Director of Business Administration, Nurgün KOMŞUOĞLU, and the Faculty Dean of Social Sciences and Business for providing us with brilliant and youthful professors, as well as our whole faculty for giving us good information. I'd also want to thank my coworkers for their great assistance and advice on my survey, as well as their respectful support. A particular appreciation to my mother, father, sisters, and brothers — each one of them – for their unending love, support, and understanding.

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*Special thanks also go to my mother and my entire family for their continued support and understanding as I research and write about my project. Your prayers for me have sustained me until now.*

*Finally, I want to thank God for getting me through all the difficulties. I experience your guidance day in and day out. You are the one who got me out of college. For my future, I will continue to believe in you..*

June, 2023

Gehad Khaled LABEEB

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**ABSTRACT**

From the viewpoints of internal auditors and external auditors on banks located in Istanbul, this study looked for to discover the variables influencing the interaction between internal audit alongside external audit, as well as their effects on improving the internal control system and lowering the cost of external audit. In order to achieve its aims, the study developed a questionnaire that was appropriate for the study's subject and objectives, and (262) questionnaires were delivered to external auditors who do audits on banks and to internal auditors employed by banks operating in Istanbul. Utilizing (262) questionnaires with a 100% recovery rate, the study employed the descriptive statistical analysis technique to identify and evaluate the study variables. The study's conclusions demonstrated how vital it is for internal audit with external audit to play complimentary roles in attaining performance for banks by bolstering the internal control system and minimizing the external auditor's fees. The audit committee is crucial in encouraging the mutually beneficial connection between the internal auditor and the external auditor as well as the external auditor's dependability on the internal auditor's function. It is also crucial in fostering the two parties' dedication to continuous learning in order to foster mutual competent trust. These elements all work together to enhance the partnership, coupled with the two sides' regular and efficient communication and consultation. The study's conclusion included a number of recommendations. The audit committee must correctly do its duty by outlining requirements that will improve the chance of cooperation between internal and external auditors, with that being the most important.. The professional should remain up to date on developments in the banking industry and be willing to interact and discuss their business goals in order to reduce redundancy and complete effective audits.

**Keywords:** Internal audit, external audit, internal control system, reducing the cost.

**BANKALARDA İÇ DENETİM-DIŞ DENETİM İLİŞKİSİNİ ETKİLEYEN  
FAKTÖRLER VE İÇ KONTROL SİSTEMİNİN GÜÇLENDİRİLMESİNE VE  
DIŞ DENETİM MALİYETİNİN AZALTIILMASINA ETKİSİ**

**ÖZET**

Bu çalışma, İstanbul'da faaliyet gösteren bankalarda iç denetim ve dış denetim ilişkisini etkileyen faktörleri ve bunların iç kontrol sisteminin güçlendirilmesine ve dış denetim maliyetlerinin düşürülmesine etkisinin iç denetçiler ve dış denetçiler açısından belirlenmesini amaçlamaktadır. Çalışmanın amaçlarına ulaşmak için birincil ve ikincil verilere dayanılarak çalışmanın konusu ve amaçları ile orantılı bir anket tasarlanmış ve bankalarda denetim yapan dış denetçiler ile çalışan iç denetçilere (262) anket dağıtılmıştır. İstanbul'da faaliyet gösteren bankalarda Geri kazanım oranı (%100) olan (262) ankette, çalışma, çalışma değişkenlerini tanımlamak ve analiz etmek için tanımlayıcı istatistiksel analiz yöntemine dayanıyordu. Çalışmanın sonuçlarının, iç kontrol sistemini güçlendirerek ve dış denetçi ücretlerini azaltarak bankalar için etkinlik sağlamada iç denetim ve dış denetim arasındaki ilişkinin tamamlayıcı rolünün etkisini gösterdiği yer. Denetim komitesinin, iç denetçi ile dış denetçi arasındaki tamamlayıcı ilişkiyi ve dış denetçinin iç denetçinin çalışmasına olan güvenini güçlendirmede rolünü oynaması ve ayrıca iki tarafın karşılıklı mesleki gelişim sağlamak için mesleki gelişim taahhüdünde bulunması. Güven ve iki taraf arasında etkili ve düzenli iletişim ve istişarenin varlığı. Çalışma, çeşitli önerilerle sona erdi. Bunlardan en önemlisi, Denetim Komitesi'nin iç ve dış denetçiler arasındaki işbirliği fırsatlarını artırmak için tavsiye sağlamadaki rolünü tam olarak oynaması gerektiğidir. Bankacılık sektöründeki gelişmelere ayak uyduran profesyoneller, mükerrerliği önlemek ve etkin denetim sağlamak için iş planlarını iletmeye ve tartışmaya istekli olmak.

**Anahtar Kelimeler:** İç denetim, dış denetim, iç kontrol sistemi maliyetinin düşürülmesi.

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## **ABBREVIATIONS**

**IA** : Internal Audit

**EA** : External Audit

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## **I. INTRODUCTION**

The world has witnessed significant developments in various fields at the present time, which in turn affected the expansion of economic institutions, the large size of their activities and the multiplicity of their operations. In light of these changes, the development and improvement of performance in institutions has become a must, and since the institution seeks to reach rapid growth rates together to ensure survival and continuity, it must take the necessary measures and procedures to avoid falling into potential risks and limit them to the lowest possible extent by the presence of tight auditing devices that can diagnose, identify errors, deviations and repair, and as a result, its objectives can be achieved efficiently (Bahram, 2007).

Recent years have seen a series of global and banking crises, putting the financial crisis first in Mexico 1994 and continuing through the financial crises in Brazil, Russia, Turkey, Argentina, and the countries of Southeast Asia. These crises affected American banks and the global economy, which led to the declaration of bankruptcy by major corporations, an expansion of the business environment in banks, and an increase in the size of the business environment in banks. Many banks face several risks that may arise from the bank's activities or the environment in which it operates. Internal and external audits are necessary because of the ongoing growth of human economic, social, and political activity, the emergence of institutions, the complexity of those activities, and the separation of ownership from management (Muqattash, 2011).

External audit arose much sooner than internal audit because the requirement for external audit grew before the necessity for internal audit. Every internal and external audit has unique goals, duties, and authority that are drawn from the regulations, guiding principles, and standards that apply to it. The internal auditor is accountable for creating reports for institutions, and the external auditor is accountable for his reports that demonstrate aspects of fairness, disclosure, and transparency based on the internal auditor's report and ensure that the financial statements do not include misleading information for consumers and are free of

omissions, inaccuracies, and omissions of facts. The reader will therefore assume that the audit findings are reliable and honest in presenting the evidence, which speaks to the caliber of the external auditors' reports. Without implementing an internal and external audit structure on the organization's finances in order that provides a clear view of the external parties of its financial results, it is impossible to imagine the ongoing functioning and success of any company or institution. Additionally, there may be constraints and constraints that hinder the attainment of the necessary standard of excellence in the auditor's notifications that can be prevented by achieving integration between the auditing procedures internal and external (Beattie & Fearnley, 2002).

The Professional Organizations Committee COSO emphasized in its findings the vital role the internal auditor plays in helping the external auditor establish an effective control system and comprehend its tasks. Due to this, the educational organization is going to cover the external auditor's fees less frequently and at a lesser cost. The external auditor will be made aware of the internal auditor's duties when he inspects the facility's internal control components. Whereas the company promoted close coordination between internal and external auditors (IFAC, 2009).

That is why we find that the audit function has become necessary and inevitable for contemporary institutions, where the audit function is an evaluation activity aimed at examining, reviewing the financial and accounting operations in the institution to achieve accounting accuracy, preserve and protect assets, as well as review and evaluate the activities of the institution and its various systems. Audit procedures and processes have evolved from traditional audit methods to modern methods, so that the audit management efforts have been focused on the most dangerous and most important machines in the institution. The control system is also considered one of the most important measures taken by institutions in facing and reducing risks, as the development of a control system effective that protects the organization from the risks it faces and reduces the possibility of exposure to it to the lowest possible level (Al-Jabali et al., 2011).

Banks must adopt a concept of comprehensive risk management and reporting procedures by counting risks that will affect it. The presence of experienced and qualified internal and external auditors is one of the most crucial factors, as this task in the facility entails assessing and evaluating the internal control

system, reviewing all internal activities to support management in carrying out its duties effectively, and working to improve it and turn its weaknesses into strengths. Additionally, encouraging external auditors to work more closely with internal auditors to develop verification choices, choose the type, extent, and timing of fundamental tests, and comprehend and research internal control for risk assessment (Dobroțeanu & Dobroțeanu, 2002).

The aforementioned makes clear how crucial and necessary it is for the establishment to have both internal and external auditing, as internal control in banks is thought to be one of the most important management tools for monitoring and assuring the safety of the workplace, as well as the implementation of all banking operations in accordance with the established instructions and established rules. Internal and external audit activities have to be merged, and collaboration among them must be reinforced while completing their separate jobs, in order to reinforce the internal control system in the financial institution and enhance how its business is handled. Along with doing this, the financial institution's workers are also instructed to do everything that ensures the accuracy and regularity of their work as well as the rectification and settlement of any faults or shortcomings. Therefore, the relevance and objective of this thesis, which aims to define and explain on the overlapping between internal and external audit methods, research those variables influencing the enhancement of them, and emphasize the significance of the beneficial and additional relationship that exists between them, all within the overarching goal of improving internal control (Fowzia, 2010).

## **A. Problem Statement**

An incorporated connection between internal audit and external audit is impacted by a variety of factors, such as the audit committee's role in promoting partnership, regular meetings, the presence of efficient channels for interaction between internal and external auditors, discussed competent trust, and a commitment to creating excellent work (Gao & Zhang, 2006).

This study's objective is to investigate the variables that affect how they interact between both internal and external audits, along with how these elements affect the effectiveness of internal control systems and the expense of external audits in banks with Istanbul headquarters. The study's problem is summed up in the

following main question:

What variables influence the link between internal and external audits, as well as their impact on improving internal control systems and lowering external audit costs?

The following sub questions were developed from the main question:

1. How important a role does the committee on auditing play in determining how the two kinds of audits relate to one another? What effect do its suggestions have on enhancing internal control and lowering the cost of external audit in Istanbul-based banks?
2. In what ways can the connection involving both internal and external audits, the efficacy of the internal control system, and the expenses of external audit within Istanbul's banks change as a result of the external auditor's reliance for the internal auditor's work?
3. How crucial is it for Istanbul-based institutions' auditors (both internal and external) to be dedicated to their growth as professionals? What impact does this have on how they interact with internal control systems and how much external auditing costs?
4. Furthermore, how effectively and regularly do the internal auditors and the external auditors interact and talk, as well as what are the outcomes of this? For the purpose of to improve the internal control system and lower the cost of external audits, exactly can the relationships between the banks in Istanbul be strengthened?

## **B. Research Issues and Theories**

The following query is regarded as the primary query in this study:

How can the relationship between the internal and external audits in institutions affect the efficiency of the internal control system and the cost of external auditing? What factors influence this relationship?

Based on pertinent articles and the literature that is currently available, research hypotheses have been retrieved, and they are specialized in the following areas:

H<sub>1</sub>: The function of the auditing committee in establishing the link between internal audit and external audit, in addition to its effects on enhancing the internal control system while lowering the cost of external audit in institutions with offices in Istanbul.

H<sub>2</sub>: There is a highly significant relationship between the external auditor's dependency on the internal auditor's efforts to reinforce the internal audit along with external audit's cooperation, along with how it impacts on improving the internal control system and cutting the expenses of external audit, in banking institutions with headquarters in Istanbul.

H<sub>3</sub>: There is an empirically significant link among both the internal and the external auditors' dedication to academic growth and its impacts on the two parties' relationships, which might help improve the internal control system and lower the cost for an outside audit in Istanbul banks.

H<sub>4</sub>: The internal auditor also the external auditor should have more frequent, fruitful talks and interaction in order to improve the internal control system and lower the cost of external audit.

### **C. Research Objectives**

The primary objective of this research is to determine how both internal and external auditors work together to improve the control structure and lower the cost of a third-party audit in companies throughout Istanbul. The following are the study's secondary goals:

1. Emphasizing the Auditing Committee's contribution to strengthening the internal control system and lowering the cost of external examinations for Istanbul-based banks, along with its influence on these areas.
2. Clearly explaining how the use of the internal auditor's activity by the outside auditor affects the link between both internal and external auditing, the efficiency of the system of internal control, and the cost of external auditing in Istanbul-based organizations.
3. 3. Appreciate how important it is for both internal and exterior auditors to be committed to expert growth, how it affects the internal control system, and how it

may lower the cost for third-party accounting in Istanbul-based banks.

4. Consider how the internal as well as the external auditors' relationship could be strengthened as well as how cheap it will set them back to carry out an audit by a third party if both parties consult and converse effectively and often.

#### **D. Significance of Study**

The significance of this research is due to the beneficial effects of collaborating and integrating between both internal and outside auditing at the practitioner level, since doing so enhances the effectiveness and efficacy of internal auditors. On the flip side, liaisons and collaboration between the two types of auditors improve the ability of audit amenities to deliver services in a wider and better way alongside limited finances by counting on internal audit my job, which increases the efficiency and effectiveness of external audit. Coordination between both inside and outside bank audits is crucial since it improves internal control.

#### **E. Structure of the Thesis**

The main points of the current study are outlined in this area of the text, and the overall concepts of each part are reviewed and explained. The key points of each chapter are emphasized in a few phrases to help the reader comprehend what is covered in that chapter; the introduction, which offers a general outline of the inquiry, is saved for chapter 1. The literature review in Chapter 2 includes a complete examination of recent and relevant literature, and the research methodology in Chapter 3 addresses how the study will be set up and provides a thorough justification of the research procedures used. It would examine the justifications for the usage of this approach. The topic of data analysis and presentation is covered in chapter 4, which also includes information on how to analyze data and figures. Conclusions from the study's findings and suggestions for successful and efficient recruiting are included in Chapter 5, which concludes the book.

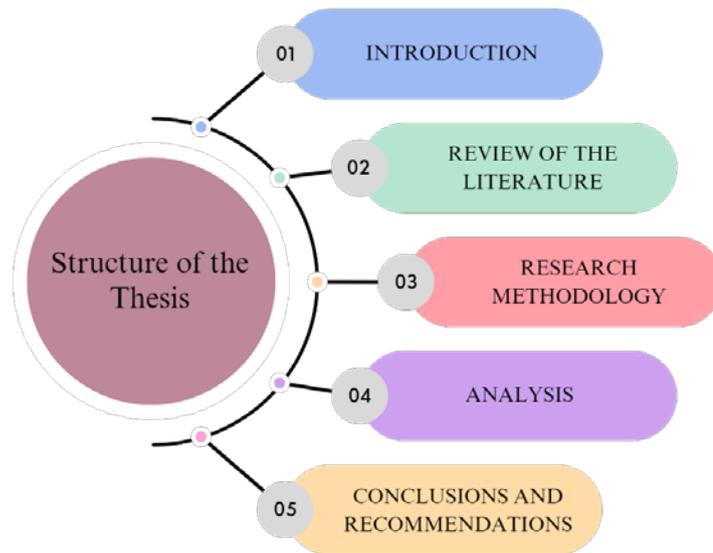


Figure 1: Structure of the Thesis

## **II. REVIEW OF THE LITERATURE**

It is impossible to exaggerate the value of auditing in the banking industry. Maintaining stakeholders' confidence, ensuring regulatory compliance, and preserving the stability of the financial system all depend on the integrity and dependability of financial information. Given the complexity of their operations, the high degree of regulation, and the possible systemic risks connected with financial institutions, internal and external audits play a particularly important role in banks.

Internal audit plays a crucial role in a bank's governance, assessing risk management and suggesting improvements. External audit ensures financial statement accuracy, instilling stakeholder confidence. The relationship between internal and external audits significantly impacts control system effectiveness and audit costs. A strong, collaborative relationship enhances audit quality, resource efficiency, and risk management, while differing perspectives can pose challenges to the process.

Throughout the review, the analysis will highlight the key findings, similarities, and differences among the various studies, as well as the ongoing debates and unresolved issues in the field. Furthermore, the review will critically assess the strengths and limitations of the existing research and provide insights into potential areas for future exploration and inquiry.

### **A. Elements That Influence How Internal as well as External Audit Relate**

That had been thoroughly studied and discovered that a variety of factors affect how audit teams interact in bankers. These elements are divided into four categories: organizational culture and governance, legal and regulatory frameworks, internal and external auditor coordination and communication, and audit methodologies and professional standards. The study of these traits provides helpful information on the dynamics of the relationship between internal and external audits in banks and serves as a foundation towards further study in this area. The impact of

these elements on improving the system of internal controls and reducing the cost of external audits will be covered in more detail in the subsections that come.

Table 1: Internal versus external audit relationships in financial institutions  
Factors to Consider

Factor	Impact on Internal Audit	Impact on External Audit
Communication and Coordination	Improved collaboration	Enhanced audit efficiency
Regulatory Environment	Better compliance	Reduced audit risk
Organizational Culture	Strengthened independence	Increased trust
Technology and Automation	Greater accuracy	Time and cost savings
Professional Competence	Increased effectiveness	Improved audit quality

The culture of the company and corporate governance within a financial institution have a significant influence on how things flow amongst auditors from within and outside the company. The results from research (Carcello et al., 2005; Cohen et al., 2010), a strong ethical culture, dedication to openness, and auditors from both sides work more cooperatively and productively when they collaborate under good business governance principles. On the other hand, ineffective governance and a lack of accountability might make it difficult for the auditors to collaborate successfully (DeZoort et al., 2008).

The interaction between internal and external audits is directly impacted by the legal and regulatory framework in which banks operate. The degree of contact and collaboration between the two types of audits can be influenced by compliance with national and international requirements (Gendron et al., 2006; Knechel et al., 2013). Legal restrictions that may stipulate specific roles for each inspector might additionally have an influence on the degree of interaction and collaboration between auditors both internal and external.

For an effective collaboration to develop, liaisons and interaction between auditors at all levels are essential. In order to improve collaboration between the two parties, previous research has highlighted the significance of creating clear lines of communication, exchanging information and insights, and matching audit goals and objectives (Arena et al., 2006; DeZoort et al., 2008). Another study shows that both inside and outside auditors' working relationships may be considerably enhanced by

mutual confidence and respect (Cohen et al., 2010).

The implementation of regular audit methods and observance of specialized regulations and standards may have an influence on the interaction between auditors from both internal and external perspectives. According to studies, following generally recognised standards can enhance audit working together and integrating (Gendron et al., 2006; Knechel et al., 2013). As a result, audit quality and efficiency may increase.

Important elements in the connection between the two parties include effective between both within and outside auditors, there is interaction and collaboration. According to earlier writers (Goodwin, 2004; Cohen et al., 2010), mutual understanding, information exchange, and shared planning of audit operations may all improve and streamline the audit process.

Authors have emphasized the need of objectiveness and autonomy for auditors from the inside as well as the outside. The legitimacy and dependability of audit results are ensured by maintaining a healthy degree of separation between the auditors and the audited business (Gendron et al., 2006; DeZoort et al., 2008). The independence of either party should not be compromised by the interaction outside auditors versus auditing employees.

The skill and knowledge of internal auditing employees have a considerable impact on the relationship with the auditors from abroad. Previous studies have found that internal auditors' skill and expertise greatly influence how much the auditing firm's success depends on their work (Carcello et al., 2005; Knechel et al., 2013).

Another element that influences their connection is how closely internal and external auditors' risk assessments and materiality standards agree. According to earlier writers (Arena et al., 2006; Sharma & Sidhu, 2017), consistency in risk assessment methodologies and materiality levels might result in a more effective and efficient audit process.

Effective corporate oversight, in particular the role of audit committees, has been emphasized as being extremely important for the relationship between auditors who are internally and externally audited. In accordance with prior authors (DeZoort et al., 2008; Cohen et al., 2010), active audit committee engagement can build a

favorable working relationship between the two sides, improving the overall audit quality.

In the literature, it is frequently discussed the need of successful interaction between auditors both inside and outside a company (Goodwin, 2004; Cohen et al., 2010). According to the writers, having open lines of dialogue enables sharing of knowledge, joint preparation, and unity, all of which contribute to a more successful audit operation.

In line with literature, auditors from within and outside must maintain their neutrality and impartiality (Gendron et al., 2006; DeZoort et al., 2008). There is broad agreement that any cooperation between the two parties should not jeopardize their independence.

Studies have discovered that strong both internal and outside working relationships between auditors may be developed through successful company governance and active audit board participation, ultimately increasing the quality of the audit (DeZoort et al., 2008; Cohen et al., 2010).

There is disagreement in the study over how much outside auditors should depend on the inner auditors' work (Carcello et al., 2005; Knechel et al., 2013). Some studies support a greater reliance on the duties done by in-house auditors, while others express worry about potential risks and their effects on the caliber of external audits.

Another point of contention in the literature is the degree to which internal and external auditors integrate and align risk assessment and materiality criteria (Arena et al., 2006; Sharma & Sidhu, 2017). Some writers say that more alignment results in a more successful and efficient audit process, whilst others argue that keeping different criteria ensures each auditor's independence and objectivity.

The literature gives varying perspectives on the influence of numerous organizational elements on the connection between internal and external auditors, such as size, complexity, and industry. Some scholars stress the significance of these characteristics in determining the connection, while others believe that they are secondary to aspects such as communication, independence, and audit committee participation (Cohen et al., 2010; Sharma & Sidhu, 2017).

Previous authors have advised frequent communication channels, joint meetings, and collaboration on audit planning the relationship between inside and outside auditors should be strengthened (Goodwin, 2004; Cohen et al., 2010). This ensures that both parties are aware of one other's work and that efforts may be coordinated to eliminate duplication and increase efficiency.

Researchers have suggested creating clear rules and procedures, including the separation of roles and duties, to minimize conflicts of interest in order to protect the independence and impartiality of auditors, both internal as well as external (Gendron et al., 2006; DeZoort et al., 2008).

Authors have suggested that companies engage in strengthening the skills and expertise of their in-house auditors in order to increase the dependability of their work and the likelihood that external auditors will rely on it (Carcello et al., 2005; Knechel et al., 2013). This could entail giving chances for continued training and development as well as making sure that professional standards are followed.

Previous authors have recommended that auditors, both inside and outside collaborate in order to match their risk assessment methodologies and materiality levels in order to create a more effective and efficient audit process (Arena et al., 2006; Sharma & Sidhu, 2017). This can entail exchanging techniques, working together to analyze risks, and deciding on standard materiality thresholds.

According to research (DeZoort et al., 2008; Cohen et al., 2010), firms should strengthen their corporate governance frameworks and guarantee that from inside as well as outside audit tasks are actively monitored by the audit body. This can entail giving the audit committee the tools and instruction it needs to properly carry out its duties and foster a cordial working both inside and outside auditors' interaction.

In conclusion, research on the factors influencing Both inside and outside audit relationships in banks identifies a number of key themes, such as the significance of effective coordination and communication, upholding independence and objectivity, maintaining competence and expertise, aligning risk assessment and materiality criteria, and the function of corporate governance and audit committees.

Most authors agree on the significance of autonomy, interactions, and accountability in creating a productive working relationship among auditors who are internally and externally audited. However, there are considerable discrepancies in

the literature when it comes to how much internal audit work is used, how risk assessment and materiality criteria are combined, and how organizational characteristics affect the connection between the parties.

Our stance is that communication, independence, and corporate governance are in fact crucial elements in the interaction third-party auditors and auditing staff based on the literature analysis. In order to encourage a more effective and efficient audit process, firms should also make investments in the training and skills of internal auditors. Both parties should also work to match their risk assessment and materiality standards.

Although organizational criteria like size, complexity, and industry may have varying effects, they shouldn't take precedence over the significance of communication, independence, and audit committee participation. It is crucial to consider the unique circumstances of each organization and adjust the relationship of employment among auditors who are internally and externally hired in light of those circumstances.

By addressing the issues raised in the literature, banks may ultimately strengthen the controls they have in place and maybe reduce the cost of external audits and taking into account the suggested solutions, which will result in higher overall audit quality and more robust financial reporting.

## **B. Impacts of the Factors on Strengthening the Internal Control System.**

The research on the impacts of factors influencing the connection between internal and outside auditors in banks and their influence on supporting the system of internal control raises a number of significant challenges. These include better risk management, greater fraud detection and prevention, better regulatory compliance, improved audit process efficiency and effectiveness, and higher overall audit quality.

Better risk identification, assessment, and mitigation can result from a solid working within and outside auditors' interaction that is characterized by efficient communication and collaboration, which ultimately strengthens internal control mechanism.

Internal and external auditors can more effectively identify possible fraud risks and put in place the necessary controls to prevent and detect fraud events

through cooperation and the exchange of experience, improving the internal control system.

As both parties may work together to identify and fix compliance gaps, a good working relationship between internal and external auditors can assist ensure that banks are more in compliance with pertinent rules and reporting requirements.

Internal and external auditors can perform their separate audits more effectively and efficiently by utilizing one another's work and knowledge, resulting in a more thorough evaluation of the internal control system.

The total audit quality is increased when internal and external auditors cooperate and match their risk assessment and materiality standards, which leads to a more accurate financial reporting process and a more robust internal control system.

In summary, the research points to the possibility that addressing the issues influencing the interaction between internal and external auditors can significantly strengthen the internal control framework in banks, enhancing risk management, fraud detection and prevention, regulatory compliance, and audit quality.

Improved coordination and communication between the two departments might result from a close working connection between internal and external audit in banks. As a consequence of this better communication, internal and external auditors may share insightful information and collaborate to identify and fix any gaps, which can lead to a stronger internal control system. (2017) Arens, Elder, and Beasley.

Enhancement of the risk assessment and monitoring procedures might result from improved internal and external audit relationships. This is so that the bank can take the necessary steps to reduce these risks and enhance the internal control system (Goodwin & Yeo, 2001). This is because both types of auditors may share their experience and information on certain issues.

Internal controls in banks may be continually improved by collaboration third-party auditors and inside auditors. This is because both auditors have the ability to exchange best practices and offer helpful criticism on the layout and efficacy of the internal vigilance system (Mihret & Yismaw, 2007).

Strong ties in comparison to an outside audit in banks may cause external auditors to depend more on the work of inside auditors. This can lead to better

internal control systems and more efficient and successful audits since internal auditors are more likely to spot and fix possible flaws. In 2006, Sarens and De Beelde.

For the internal control system to be strengthened, there must be effective communication independent auditors and in-house auditors (Arens et al., 2017; Goodwin & Yeo, 2001; Mihret & Yismaw, 2007; Sarens & De Beelde, 2006).

Internal control systems benefit from having a robust internal audit role (Arens et al., 2017; Goodwin & Yeo, 2001; Mihret & Yismaw, 2007; Sarens & De Beelde, 2006).

Writers disagree on the extent to which outside auditors should depend on their own auditing work. Others claim that outside auditors can partially depend on internal audit efforts (Goodwin & Yeo, 2001; Mihret & Yismaw, 2007), while some contend that external auditors should preserve their independence and not depending on the role of inside auditing (Arens et al., 2017).

While some stress the significance of the role played by the audit committee (Sarens & De Beelde, 2006), some writers contend that organizational culture and management support are crucial elements for enhancing the internal control system (Mihret & Yismaw, 2007).

Numerous perspectives on the link outside audits versus auditing processes in banks and how these aspects enhance the internal vigilance system are presented in the available literature. Despite certain similarities, there are also disputes in the literature, indicating the complexity of the issue and emphasizing the need for more investigation.

The arguments and solutions proposed by previous authors:

Some writers contend that collaboration outside auditors and inside auditors can result in an internal vigilance system that is more effective. They contend that working together will improve internal and external auditors' comprehension of one another's responsibilities and tasks, resulting in a more thorough assessment of the internal vigilance system (Arens et al., 2017).

The requirement that the internal audit function retain its independence from management in order to properly assess and enhance the internal vigilance system is

another justification in the literature (Mihret & Yismaw, 2007). These writers suggest a direct reporting line for greater autonomy between the office of internal auditors and the group of governors or audit panel.

Additionally, some authors assert that improving governance systems requires effective information exchange and communication between internal and external auditors (Sarens & De Beelde, 2006). To better understand the benefits and drawbacks of the inner vigilance system, they advise both parties to actively engage in discussions and exchange their perspectives.

Finally, some writers contend that internal auditors' ongoing professional growth and training are crucial for preserving an efficient internal control system (Goodwin & Yeo, 2001). They advise firms to engage in continuous training and development programs for internal auditors to make sure they have the abilities to properly assess and strengthen oversight procedures.

Several perspectives have been offered in the literature about the effects of factors impacting the connection between the two types of auditing in banks and their influence on supporting the system of internal surveillance. To make the mechanism for internal control stronger, previous authors have cited cooperation impartiality of the task of internal auditing and the relationship between auditors from within and outside, effective information sharing and communication, and ongoing professional development for internal auditors.

The results imply that a collaborative approach relating to both the inside and the outside auditors, which encourages a better awareness of each other's roles and duties, can boost the efficacy of the internal vigilance system. The in-house inspection function's independence from management is also crucial since it allows internal auditors to assess the internal control system impartially. Effective information sharing and communication between the two parties enable a more thorough assessment of the system's strengths and weaknesses, and ongoing professional development guarantees that internal auditors have the abilities to evaluate and enhance the internal control system.

The literature review makes it abundantly evident that the collaboration between the two types of auditing in banks greatly enhances the structure of internal controls.

### **C. Impacts of the Factors on Reducing the Cost of External Audit**

Several important characteristics are highlighted in the literature on the effects in banks that affect the relationship between inside and outside audits and their influence on lowering the cost of external audit. The following effects have been noted by earlier writers:

The cost of external audit can be decreased by reducing the time and effort needed for when auditors from both the inside and outside are involved in auditing have a solid working relationship (Al-Twaijry, Brierley, & Gwilliam, 2004).

The work done by internal auditors may be relied upon by external auditors, which can minimize the amount of work required of them and lower the price of the outside audit (Goodwin, 2004).

When internal auditors effectively assess and test the internal control system, external auditors may require less time and resources to evaluate the controls, thereby reducing the cost of external audit (Cohen, Krishnamoorthy, & Wright, 2004).

A more effective audit process can lower the cost of the external audit due to improved communication and information exchange between internal and external auditors (Bame-Aldred, Brandon, & Messier, 2013).

The overall quality of the audit process may be enhanced in banks by enhancing the connection between internal and external audit, which may result in cheaper external audit fees since there will be fewer re-audits and more trust in the internal control system (Alzeban & Gwilliam, 2014).

Forthoremore, observations and findings of previous authors listed below:

Regarding the effects of variables impacting the link in comparison to an outside audit in banks on lowering the cost of external audit, previous writers have produced a number of observations and discoveries:

Since external auditors rely on inside auditors' expertise, having adequate manpower and competence in the internal audit department helps Internal auditing should perform more successfully. This may assist in reducing the expense of the outside audit (2007) Mihret and Yismaw.

The breadth, thoroughness, and objectivity of internal audit work have a major influence on how much external auditors can depend on their work, which has an impact on the price of external audit (Alzeban & Gwilliam, 2014).

An efficient audit committee and a strong corporate governance structure can improve outside and inside auditors' interactions, which can lower the expense of external audits (Cohen, Krishnamoorthy, & Wright, 2004).

When both inside and outside auditors work together and effectively interact, outside auditors can use the expertise of the in-house auditors and saving cost on the outside audit (Bame-Aldred, Brandon, & Messier, 2013).

It is possible for the both inside and outside auditors' interactions as well as the price of external audit to be impacted by the amount of risk and complexity related to the audited company. Even when internal audit functions are competent, higher levels of risk and complexity may result in higher external audit expenses (Goodwin, 2004).

Also, similarities and conflicts in the literature explained below:

There are parallels and disagreements among the research in the literature on the effects of banks' both inside and outside audit relationships and how to reduce the price of an outside audit.

The majority of research concur that having a strong inside control function is essential for external audit cost reduction since it allows external auditors to depend on internal auditors' work (Alzeban & Gwilliam, 2014; Mihret & Yismaw, 2007).

According to the research, corporate governance is crucial for fostering a positive working inside and outside auditors' interaction, which reduces the expense of exterior review (Cohen, Krishnamoorthy, & Wright, 2004).

Commonly accepted as crucial elements it resulted in a smaller outside audit. costs include effective among within and outside auditors, there is interaction and collaboration (Bame-Aldred, Brandon, & Messier, 2013).

There are divergent opinions in the literature about the use of internal auditing by external auditors. Some studies raise questions regarding objectivity and independence, while others claim that heavy reliance can save money.

Diverging perspectives on how risk and complexity influence the connection between outside auditing and inside auditing charges may be found in the literature. Strong internal audits have been shown in some studies to reduce costs despite higher risk and complexity, while other researchers contend that the link is more complex and reliant on elements like internal audit quality and efficient company governance.

In conclusion, there are disagreements regarding the degree how much auditing staff is used by outside auditors, and how hazards and difficulty affect the price for outside audits, despite similarities in the literature regarding the significance of a strong internal audit function, corporate governance, and effective communication and coordination.

The arguments and solutions proposed by previous authors:

Some authors have presented arguments and proposed solutions to address the variables affecting the price of a third-party audit. The following are some notable arguments and solutions that have emerged from the literature:

Numerous studies show how important it is for collaboration between both inside and outside auditors and communicate in order to reduce the expenses of external audits. Work duplication is reduced and overall efficiency is increased through this partnership, which involves information exchange and coordinated actions. Bame-Aldred and colleagues (2013); Goodwin (2004).

By using the work completed by inside auditors, external auditors can cut their audit expenses (Mihret & Yismaw, 2007). For this, it is necessary to assess the efficacy and productivity of inside auditing, align audit goals, and incorporate internal audit results into the preparation and conduct of external audits.

The competence of internal auditors can significantly impact the cost of external audits (Alzeban & Gwilliam, 2014). By investing in the training and development of in-house auditors, organizations can improve their in-house auditor's function's effectiveness, which can, in turn, reduce the reliance on exterior review services and associated costs.

Inside as well as outside auditors can benefit from using cutting-edge data analytics and technological tools in their job (Cohen et al., 2004). By adopting technology, auditors can streamline their processes, reduce manual work, and improve the inspection process' overall effectiveness, which results in savings in

costs.

Implementing a risk-based audit approach can help external auditors in focusing their efforts on high-risk areas and significant financial statement assertions (Mihret & Yismaw, 2007). By prioritizing these areas, external auditors can optimize their work and reduce the overall audit costs.

The issues that affect the cost of external audit have been addressed by previous writers in a number of different ways. These approaches center on fostering cooperation and communication, utilizing the work of internal auditors, investing in competence and training, utilizing cutting-edge technology, and employing risk-based auditing techniques.

The factors impacting the relationships involving both inside and outside audits in banks, including their impact on the effectiveness of the internal control framework and the cost of outside auditing, have all been extensively researched. The degree of cooperation, communication, and effectiveness of internal audit work have all been highlighted as significant elements in determining how internal and external auditors interact.

According to several writers, when these aspects are appropriately controlled, they can result in a more reliable internal control system and lower external auditing expenses. While earlier writers' results have some parallels, there are also disagreements, especially about how much external auditors should depend on internal auditors' work.

Increased communication, increased internal auditor competency, and the creation of clear guidelines for dependence of outside auditors on insider auditors work are just a few of the solutions that have been suggested to resolve these conflicts and improve how both inside and outside auditors interact.

My perspective as a researcher is consistent with the body of literature that emphasizes the significance of comprehending and controlling the variables influencing the interaction outside auditors and inside auditors in banks. This literature review seeks to further the existing debate and clear the way for additional investigation into this subject by analyzing and combining the results of earlier writers. Banks must be aware of these elements and any possible effects they may have on the efficiency of internal control systems and the price of external audits.

Banks may improve the overall effectiveness and efficiency of their audit procedures by taking the appropriate action to resolve the concerns that have been found.

#### **D. Summary of Literature Review**

In conclusion, this literature study has offered a thorough examination of the variables influencing how auditors from within and outside communicate in banks and how they impact the development of the system for internal surveillance and the decrease in the expense of external auditing. It has been determined that a number of elements, including cooperation, communication, and the caliber of inside audit work, are crucial in forming this connection.

According to the research of earlier writers, when these aspects are properly controlled, they can result in a better internal control system and reduced costs for external audits. But there are also disagreements in the literature, notably with regards to how much external auditors should depend on internal auditors' work.

To resolve these disputes and enhance the the collaboration of auditors from both sides, several solutions have been put forth. Enhancing communication, raising internal auditors' skill levels, and defining precise rules these techniques can help determine how much outside auditors should depend on the inner auditors' work.

The analysis of the literature has shown overlaps and discrepancies between the conclusions of earlier writers, as well as many justifications and suggestions for how to enhancing the relationship between auditing inside and outside in banks. This literature review adds to the conversation by combining the results of earlier writers and lays the groundwork for more study on the subject.

This literature study has important ramifications for auditing practice and research, especially in the banking industry. The research findings can aid practitioners, such as bank management, both inside and outside auditors, in better understanding the variables that affect how well they operate together, which will eventually result in enhanced internal control systems and lower external audit expenses.

The study emphasizes for practitioners the value of good interaction and cooperation between internal and external auditors. A more effective audit procedure, a higher reliance on internal audit work, and eventually cost reductions

for banks can all result from improving these factors. The assessment also highlights the necessity for internal auditors to uphold high standards of competence and professionalism, since doing so will assist to guarantee that their work is of a standard that external auditors can depend on.

This review has pointed out various areas for additional study for researchers. Future studies should examine the differences between the mentioned elements in financial institutions from other jurisdictions, as well as the possible effects of new technology and rules on the connection between inside and outside auditors. Researchers might also assess how well the suggested solutions work to resolve the disputes and difficulties mentioned in the literature.

In order to get a deeper knowledge of the factors impacting the interaction between both inside and outside audits in banks, future research can examine these avenues to improve the internal control framework and reduce the cost for outside auditing. In the end, this will result in the banking industry adopting audit procedures that are more effective and efficient.

### **III. RESEARCH METHODOLOGY**

The study procedure, the study populace and the specimen, the research tool used, its set up processes, its reliability and peace of mind, and the statistical methods used in the study analysis are all described in this chapter. A description of the techniques that were used is also included in this chapter. To standardize the study methods and their use.

#### **A. Research Methodology**

In scientific study, a variety of methodologies are utilized, and each strategy is applied in accordance with the phenomena being examined. When there is prior knowledge of the characteristics and dimensions of the phenomenon being studied through evaluating prior research on the topic, more than one technique may be employed to explore the same phenomenon. It is compatible with the descriptive analytical approach's goal to present information and facts about the issue at hand so that it may be interpreted and its consequences can be discovered. using a descriptive strategy. A range of materials, including books, newspapers, magazines, and other sources that establish their legitimacy, are studied in order to do analytical work and achieve the research objectives. This approach was used to get a detailed and thorough comprehension of the research issue. In order to have a better and more precise grasp of the phenomena being examined, primary data were gathered using a questionnaire.

It has been preferred because quantitative research has certain advantages over qualitative research. According to Sukamolsen (2010), quantitative research may yield results that may be quantified and assess the intensity of an event, a behavior, or a pattern. He said that a good test design and the variables acquired would encourage a quantitative analysis to not only determine what was happening but also why. According to Sukamolsen (2010), using quantitative research would enable researchers to investigate variances and identify similarities across variables. Bellou (2011) used a quantitative strategy. She randomly selected 40 participants

after evenly distributing the questionnaires. She followed up with surveys and questionnaires. For this inquiry, the researcher took a quantitative method, and to test the hypothesis, inferential statistics were utilized.

The three different forms of research methodology are qualitative, quantitative, and blended methodologies (Creswell, 2014). When a study's goal is to establish a connection between two or more variables, Kumar (2005) claims that the quantitative technique is frequently employed. The research methodology may be thought of as the process that the researcher uses to eventually arrive at results pertaining to the topic under investigation. It is also the technique that the researcher organizes to answer the research problem and the science that describes how to carry out scientific research.

## **B. Data Collection**

Following is a summary of the two forms of data that were used in the collection of the data, which was done using simple and random sampling:

### **1. Raw Data**

This is accomplished by carrying out fieldwork, which involves distributing surveys for investigating some of the subject's terminologies, recording and gathering the required information on the subject for the study, elimination and assessing it using (SPSS), and then developing useful signals and proof which endorse the subject of the investigation.

### **2. Secondary Data**

The connection between inner audit and outside auditors, and also their effects on enhancing the internal control system and lowering the cost of a third-party audit, have been examined in books, periodicals, and media that are specializing in or related to the topic under investigation. Using accepted scientific writing guidelines and techniques, as well as staying up to date with the most recent advancements in the area.

## **C. Research Design**

The descriptive review approach was used to write the thesis. The primary

objectives of the investigation are to confirm the accuracy of the data and to provide a more complete picture of the data being examined. Research with demographic objectives, scope, and components is a descriptive analysis. To explore each demographic factor of this study, as well as to discover its origins and prospective implications, a descriptive research technique is used.

#### **D. Target Population and Sampling**

Sample selection is an important part of analysis (Collis and Hussey, 2003). When making sample decisions, the first concern should be the target group of individuals; demographically, it should focus on who in the community or organization is highly educated and can offer trustworthy information (Czaja and Blair, 2005). Stratified sampling, hierarchical sampling, and random sampling are all methods for picking a sample (Collis and Hussey, 2003). The primary goal of this research is to determine the characteristics that impact the interaction between internal and external auditing in banks, as well as their implications for enhancing internal control systems and decreasing external auditing expenses.

The sample population includes (136) internal auditors working in banks operating in Istanbul, and (129) external auditors working in auditing companies that audit banks. Thus, the number of questionnaires under study is 262 questionnaires.

#### **E. Analysis**

For all demographic questions, descriptive statistics may be utilized using SPSS to evaluate the data and provide meaningful and deviation values. To compute the significance level of variables, regression analysis, ANOVA, and R Square will be utilized, as well as hypothesis testing and reliability statistics to examine the validity of surveys. Finally, the correlation coefficient will be utilized to verify the relationship between variables.

## F. Conceptual Framework

## G. Hypotheses of the Study

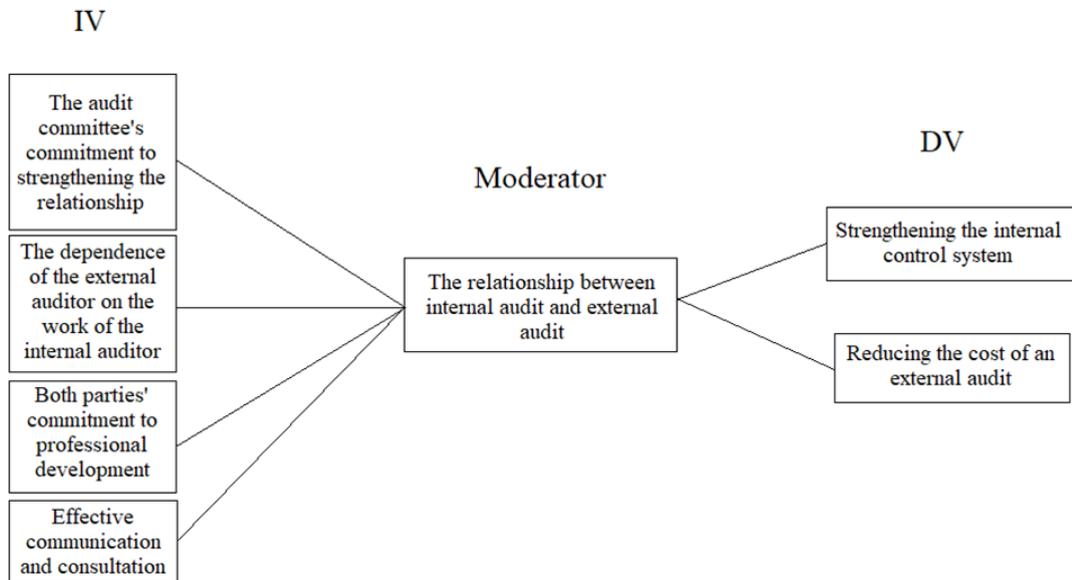


Figure 2: Conceptual Framework

H<sub>1</sub>= It is highly probable how the committee for auditing works to improve the connection among audits conducted inside and outside the organization, the effectiveness of the system for internal control, and the price of external audits.

H<sub>2</sub>= The trust of an outside auditor on the in- house auditor's efforts to improve the connection among the the in-house audit and the outside auditor, along with the implications of that connection on the development of the internal control structure and the expense of the third-party audit, are statistically significantly correlated.

H<sub>3</sub>= In terms of the degree to which you get together with their peers and the more or fewer funds they spend paying independent audits, there is a statistically significant association between any inside an auditor's loyalty to their internal control framework and each outer auditor's devotion to professional advancement.

H<sub>4</sub>= There is a strong correlation between the existence of frequent and efficient interactions and discussions of the internal controls between the in-house auditor and the outside auditor & the improvement and reduction of the cost of a third-party audit.

## IV. ANALYSIS

This chapter is all about the research's analysis and findings. The research has resulted in three types of data analysis methods: correlational analysis, statistical analysis of regression, and statistical descriptions. The study employs (Pearson) correlation and simple linear regression for correlation analysis. Each of these is described more below.

Demographic information and the connection between both inside and outside audits as well as how this relationship affects the internal surveillance system improvement and reducing external audit expenses in banks, were divided into two sections of the questionnaire.

### A. Analysis of Demographic Part

For this study, the demographic characteristics or profile for auditing employees in Turkish banks include age, level of education, current job, scientific specialization, years of experience, academic degrees, and the number of auditing training courses attended. This section of the study deals with the personal information of 262 questionnaire respondents. The table below reveals the respondents' background information in detail. It consists of the demographic factors of the study community and consists of 7 items.

Table 2: Frequencies of Demographic Part

Statistics	Age	Edu.	Job	Specialization	Experience	Academic	Training
Valid	262	262	262	262	262	262	262
Missing	0	0	0	0	0	0	0
Mean	3.35	3.45	1.49	2.17	2.37	2.66	2.24
Median	4.00	3.00	1.00	2.00	3.00	3.00	2.00
Mode	4	3	1	3	3	3	3
Std. Deviation	.883	.570	.501	.856	.834	1.165	.831
Skewness	-.817	-.679	.031	-.153	-.275	1.193	-.121
Std. Error of Skewness	.150	.150	.150	.150	.150	.150	.150
Kurtosis	.507	.921	-2.014	-1.093	-.580	4.248	-.933
Std. Error of Kurtosis	.300	.300	.300	.300	.300	.300	.300
Minimum	1	1	1	1	1	1	1
Maximum	5	4	2	5	5	8	4

Source: Primary data (IBM SPSS Data analysis Output)

Based on the table above, there is no missing data.

## 1. Age

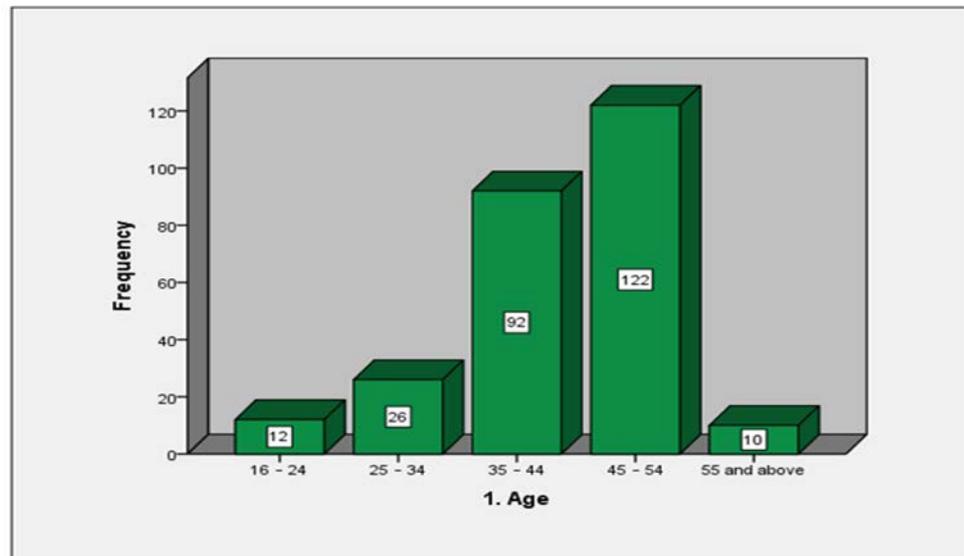


Figure 3: Age

4.6% of respondents, as shown in the accompanying table, are between the ages of 16 and 24. 9.9% of the population is between 25 and 34 years old, 35.9% is between 35 and 44, and 3.8% of people are above the age of 55, while 46.6% of people are between 45 and 54.

Table 3: Frequency Table of Age

Age	Frequency	Percent
Valid		
16-24 years	12	4.6
25-34 years	26	9.9
35-44 years	92	35.1
45-54 years	122	46.6
55-above years	10	3.8
Total	262	100.0

Source: Primary data (IBM SPSS Data analysis Output)

## 2. Education Level

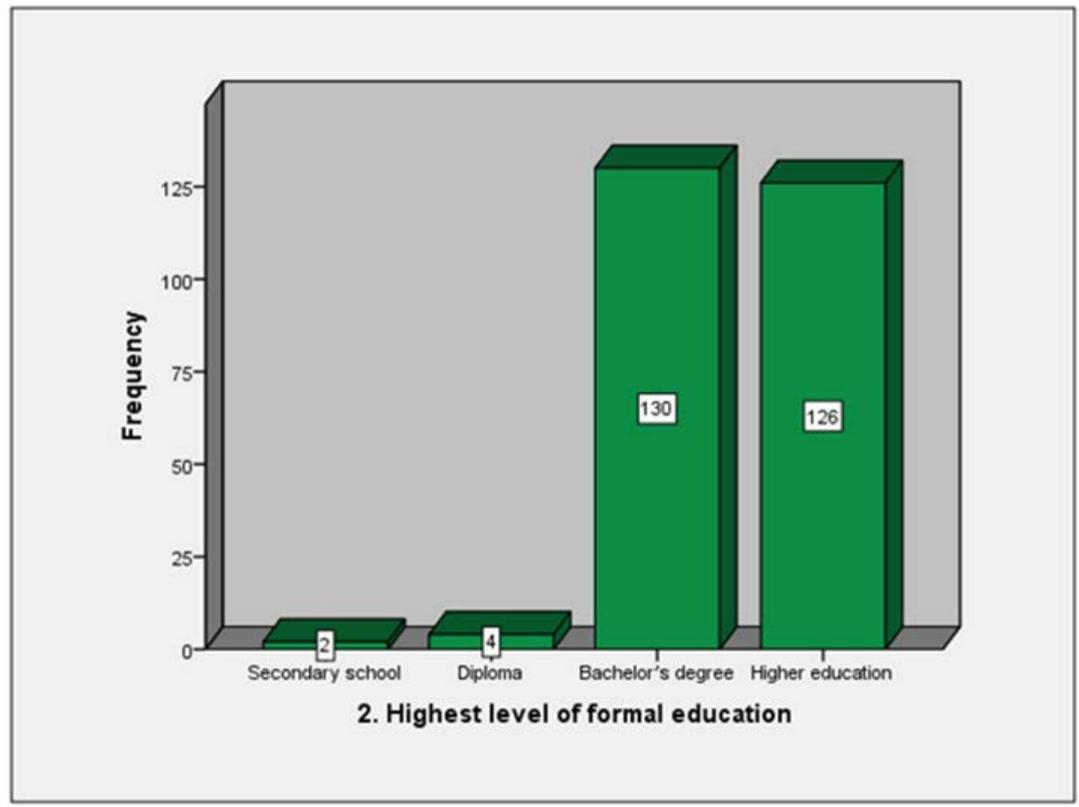


Figure 4: Education Level

The education level of the respondents is displayed in the table below. So, 0.8% of respondents had a secondary education, 1.5% had a diploma, 49.6% had a bachelor's, and 48.1% had a higher degree.

Table 4: Frequency Table of Education Level

Highest level of formal education		Frequency	Percent
Valid	Secondary school	2	0.8
	Diploma	4	1.5
	Bachelor	130	49.6
	Higher education	126	48.1
	Total	262	100.0

Source: Primary data (IBM SPSS Data analysis Output)

### 3. Current Job

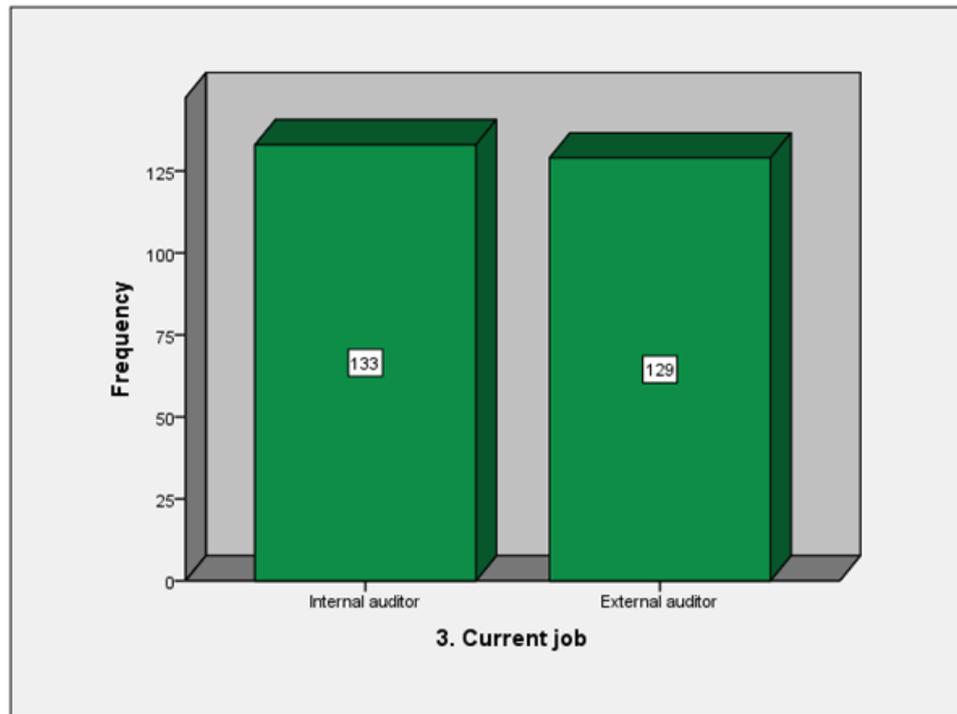


Figure 5: Current Job

The number of those polled who now work as inside auditors (50.8%) and outside auditors (49.2%) is shown in the table below.

Table 5: Frequency Table of Current Job

Occupation		Frequency	Percent
Valid	Internal auditor	133	50.8
	External auditor	129	49.2
Total		262	100.0

#### 4. Scientific Specialization

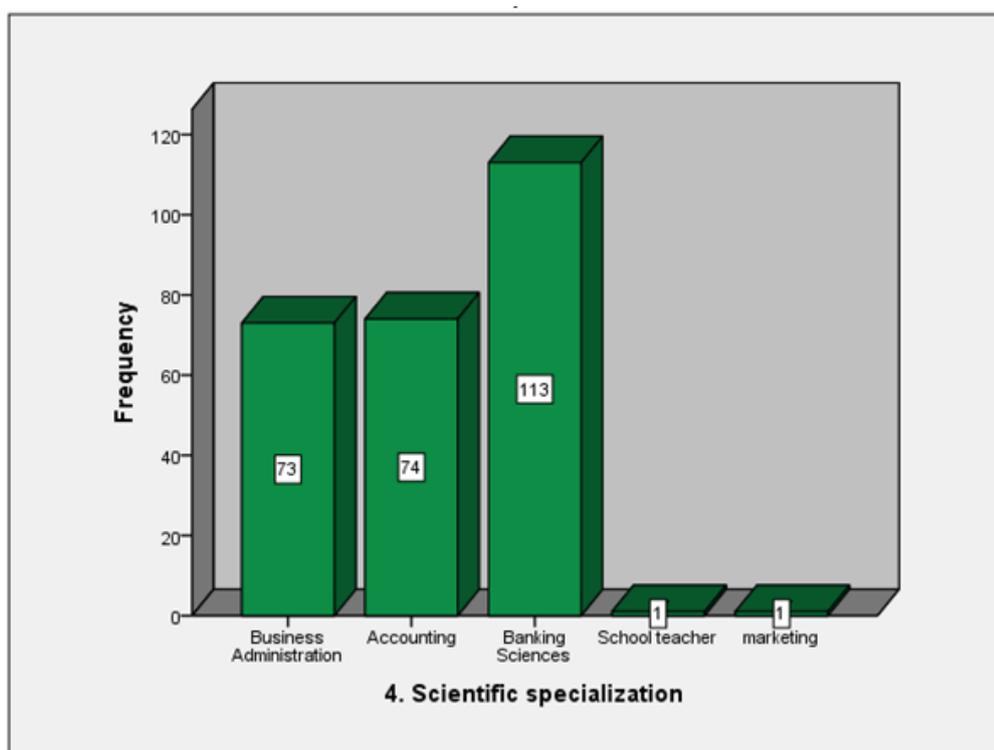


Figure 6: Scientific Specialization

The responders' scientific speciality is displayed in the table below. Thus, of those who responded, 0.4% were marketers, 0.4% were teachers, 27.9% were business administrators, 28.2% were accountants, and 43.1% were banking scientists.

Table 6: Frequency Table for Scientific Specialization

Number of Employees		Frequency	Percent
Valid	Business Administration	73	27.9
	Accounting	74	28.2
	Banking Sciences	113	43.1
	School teacher	1	.4
	marketing	1	.4
Total		262	100.0

Source: Primary data (IBM SPSS Data analysis Output)

## 5. Years of Experience

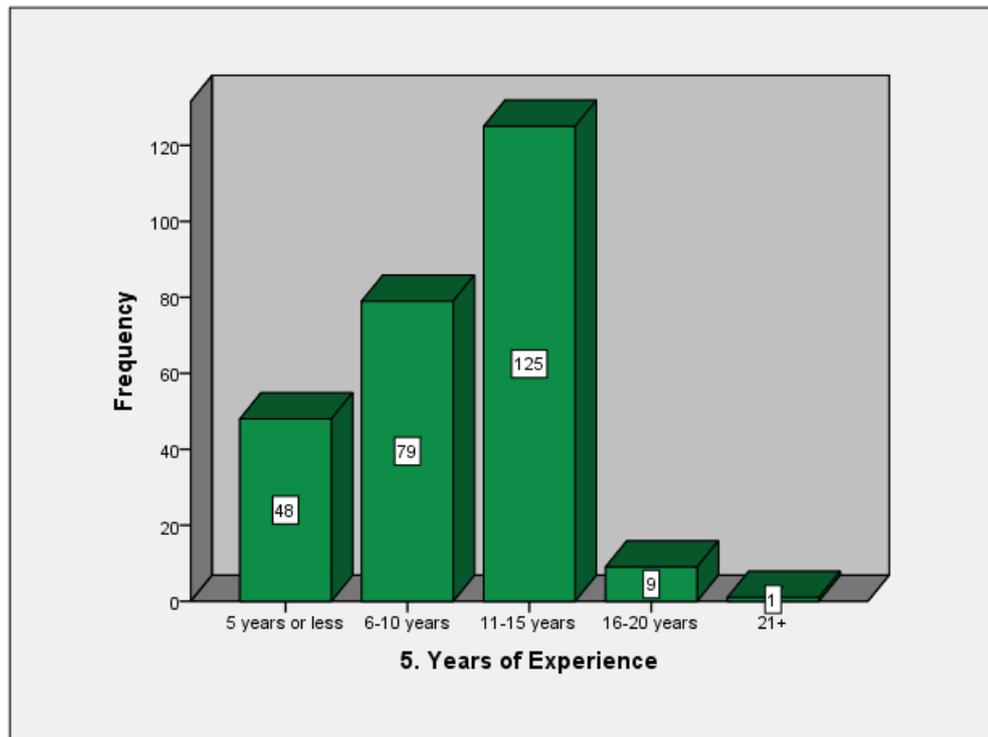


Figure 7: Years of Experience

The following table includes the officers' years of knowledge: fewer than five years: 18.3%, 30.2% for six to ten years, 47.7% for eleven to fifteen years, 3.4% for sixteen to twenty years, and 20.3% for more than twenty years. 3.4%. 0.1%.

Table 7: Frequency Table for Years of Experience

Years in Operation		Frequency	Percent
Valid	5 years or less	48	18.3
	6-10 years	79	30.2
	11-15 years	125	47.7
	16-20 years	9	3.4
	21+ years	1	0.1
	Total	262	100.0

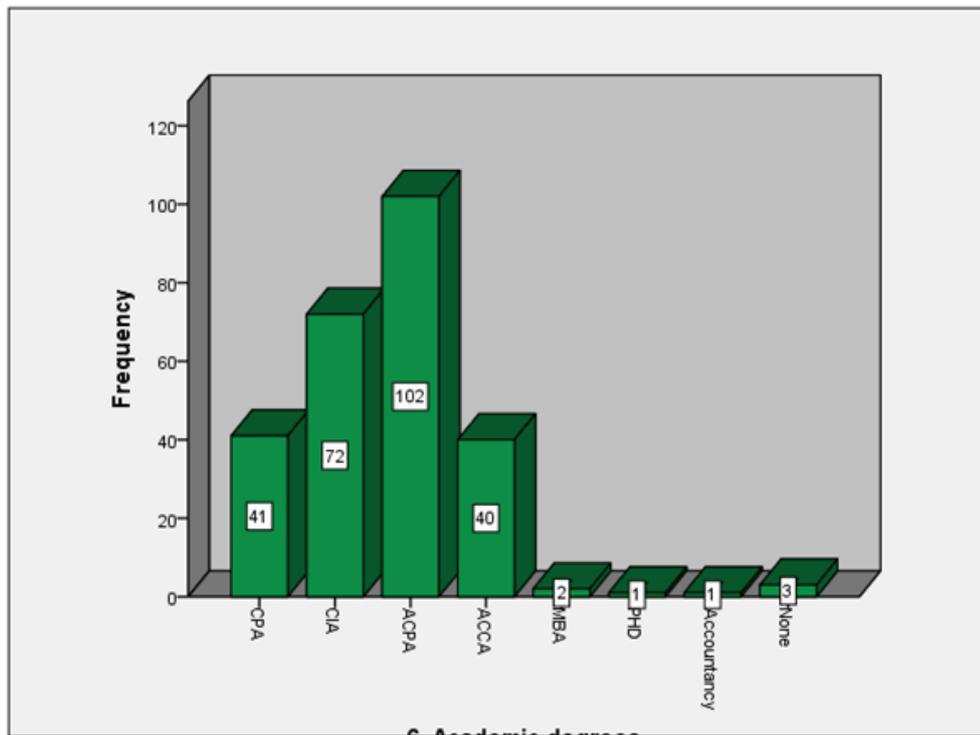


Figure 8: Academic Degrees

## 6. . Academic Degrees

In terms of respondents' academic degrees, 14.9% have a CPA, 27.5% have a CIA, 39.3% have an ACPA, 15.3% have an ACCA, 0.8% have none, 0.8% have an MBA, 0.4% have a PHD, 0.4% have a local CPA, 0.4% have an accountancy degree, and 0.8% have no degree. 0.4%.

Table 8: Frequency Table for Academic Degrees

Years in Operation		Frequency	Percent
Valid	CPA	41	15.6
	CIA	72	27.5
	ACPA	102	38.9
	ACCA	40	15.3
	MBA	2	.8
	PHD	1	.4
	Accountancy	1	.4
	None	3	1.1
	Total	262	100.0

Source: Primary data (IBM SPSS Data analysis Output)

## 7. Training Courses Attended

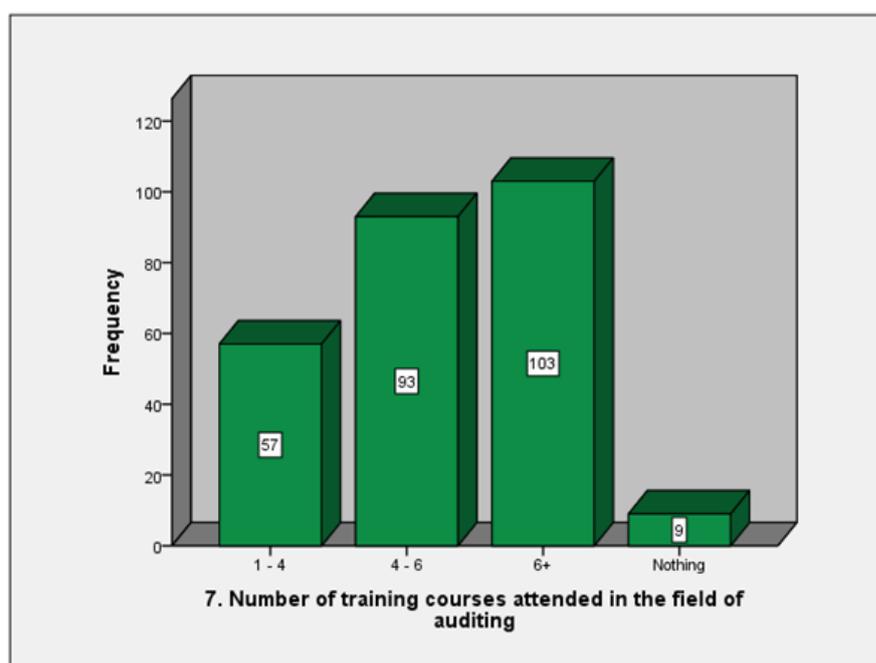


Figure 9: Training Courses Attended

According to the number of training courses taken in the area of auditing respondents, the respondents' ages range from 1-4, 35.5%, 4-6, 6+, and nothing, or 3.4%, for the remaining respondents.

Table 9: Frequency Table for Number Of Training Courses Attended In The Field Of Auditing

Years in Operation	Frequency	Percent
Valid 1-4	57	21.8
4-6	93	35.5
6+	103	39.3
nothing	9	3.4
Total	262	100.0

Source: Primary data (IBM SPSS Data analysis Output)

### B. Details Related Responses to Thesis Hypotheses

The researcher will provide the findings from each query connected to the thesis variables in this section. The second portion discusses the connection between inside and outside audits, as well as how it may improve the effectiveness of internal

controls and lower the expense for outside audit in banks. It was divided into four axes as follows:

## 1. Hypothesis One

### a. The Audit Committee Creates a Conducive Atmosphere For Auditors To Examine Risks, Review Control Methods, And Perform Tests

The selections in the bar chart above range from not at all to frequently. 11 (4.2%) Not at all, 102 (38.9%) Once in a while, 72 (27.5%) Sometimes, 30 (11.5%) Fairly often, and 47 (17.9%) Frequently, according to the 262 respondents.

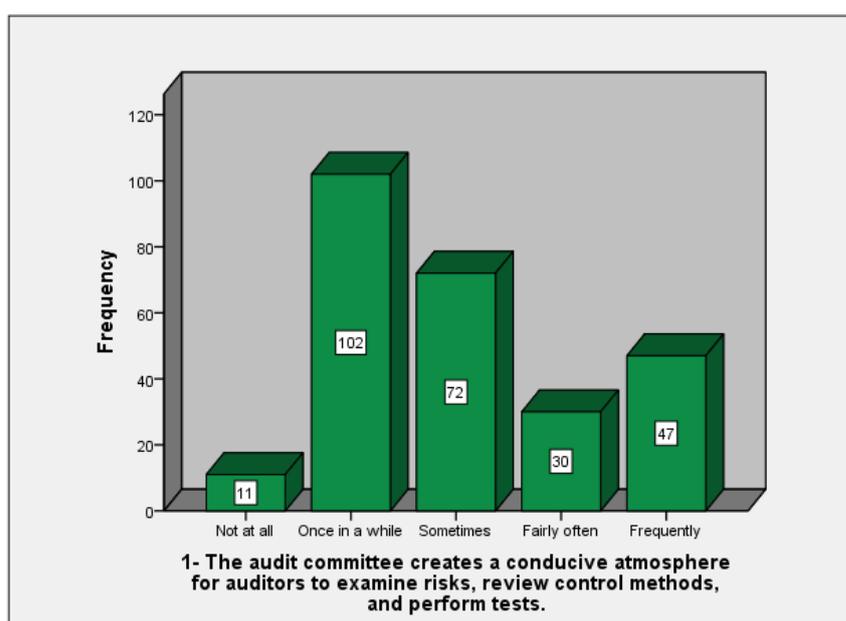


Figure 10: The audit committee creates a conducive atmosphere for auditors to examine risks, review control methods, and perform tests.

Table 10: The audit committee creates a conducive atmosphere for auditors to examine risks, review control methods, and perform tests

		Frequency	Percent
Valid	Not at all	11	4.2
	Once in a while	102	38.9
	Sometimes	72	27.5
	Fairly often	30	11.5
	Frequently	47	17.9
Total		262	100.0

**b. The audit committee receives feedback from internal and external auditors about the effectiveness of internal control**

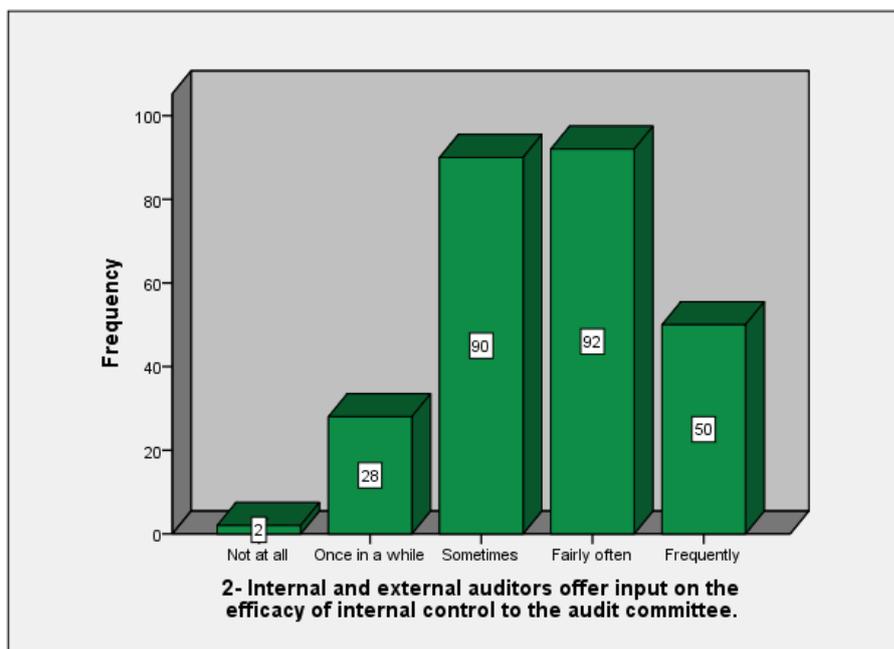


Figure 11: Internal and external auditors offer input on the efficacy of internal control to the audit committee.

The selections in the bar chart above range from not at all to frequently. 2 (0.8%) Not at all, 28 (10.7%) Once in a while, 90 (34.4%) Sometimes, 92 (35.1%) Fairly often, and 50 (19.1%) Frequently, according to the 262 respondents.

Table 11: Internal and external auditors offer input on the efficacy of internal control to the audit committee.

		Frequency	Percent
Valid	Not at all	2	.8
	Once in a while	28	10.7
	Sometimes	90	34.4
	Fairly often	92	35.1
	Frequently	50	19.1
	Total	262	100.0

**c. The audit committee discusses the weaknesses of the internal control system as well as potential improvements to the internal control system with internal and external auditors**

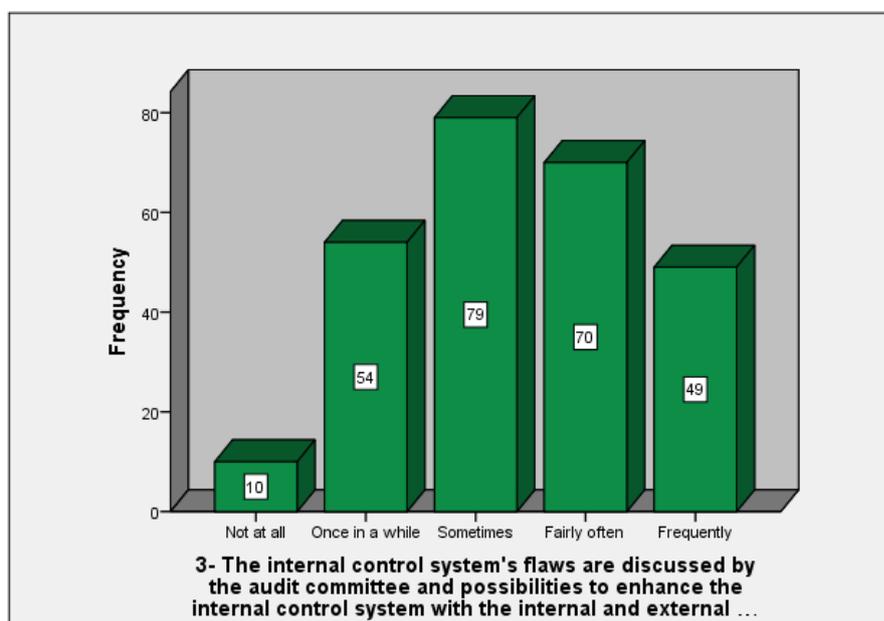


Figure 12: The internal control system's flaws are discussed by the audit committee and possibilities to enhance the internal control system with the internal and external.

The selections in the bar chart above range from not at all to frequently. 10 (3.8%) Not at all, 54 (20.6%) Once in a while, 79 (30.2%) Sometimes, 70 (26.7%) Fairly often, and 40 (18.7%) Frequently, according to the 262 respondents.

Table 12: The internal control system's flaws are discussed by the audit committee and possibilities to enhance the internal control system with the internal and external.

		Frequency	Percent
Valid	Not at all	10	3.8
	Once in a while	54	20.6
	Sometimes	79	30.2
	Fairly often	70	26.7
	Frequently	49	18.7
	Total	262	100.0

## 2. Hypothesis Two

a. To establish how dependent the internal auditor is on his job, the external auditor takes into account the internal auditor's objectivity and competency.

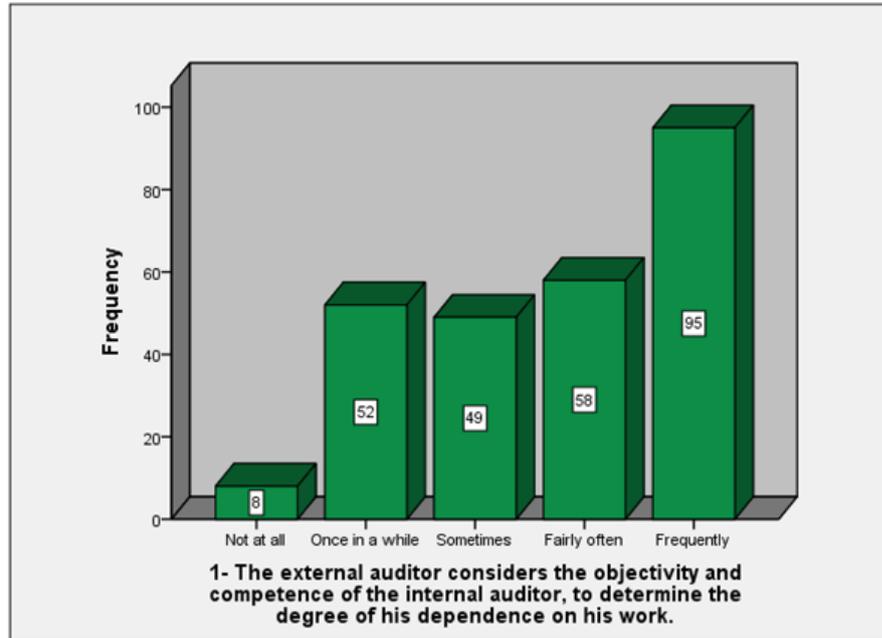


Figure 13: To establish how dependent the internal auditor is on his job, the external auditor takes into account the internal auditor's objectivity and competency.

The selections in the bar chart above range from not at all to frequently. 8 (3.1%) Not at all, 52 (19.8%) Once in a while, 49 (18.7%) Sometimes, 58 (22.1%) Fairly often, and 95 (36.3%) Frequently, according to the 262 respondents.

Table 13: To establish how dependent the internal auditor is on his job, the external auditor takes into account the internal auditor's objectivity and competency.

		Frequency	Percent
Valid	Not at all	8	3.1
	Once in a while	52	19.8
	Sometimes	49	18.7
	Fairly often	58	22.1
	Frequently	95	36.3
	Total	262	100.0

**b. The external auditor relies on the findings of the internal auditor's examination of the bank's branches and divisions**

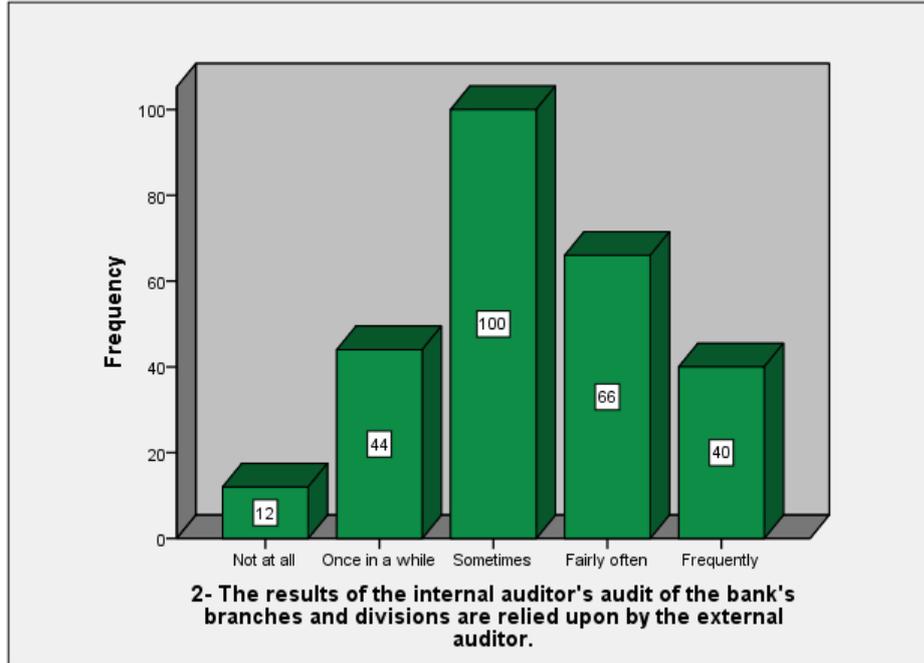


Figure 14: The results of the internal auditor's audit of the bank's branches and divisions are relied upon by external auditor.

The selections in the bar chart above range from not at all to frequently. 12 (4.6%) Not at all, 44 (16.8%) Once in a while, 100 (38.2%) Sometimes, 66 (25.2%) Fairly often, and 40 (15.3%) Frequently, according to the 262 respondents.

Table 14: The results of the internal auditor's audit of the bank's branches and divisions are relied upon by external auditor.

		Frequency	Percent
Valid	Not at all	12	4.6
	Once in a while	44	16.8
	Sometimes	100	38.2
	Fairly often	66	25.2
	Frequently	40	15.3
Total		262	100.0

**c. The external auditor consults the work papers and reports of the internal auditors to have a full understanding of the entity's internal control system.**

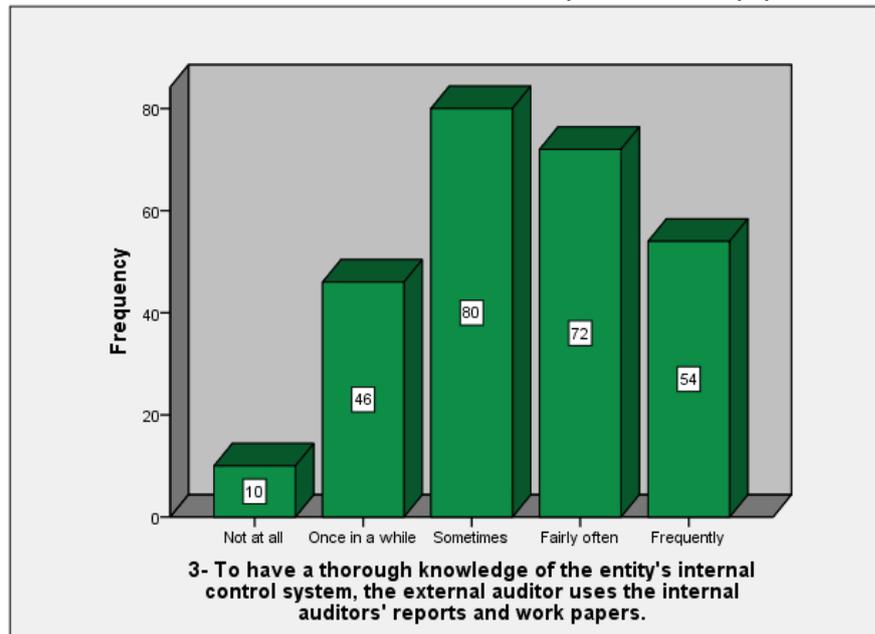


Figure 15: To have a thorough knowledge of the entity’s internal control system, the external auditor uses the internal auditors’ reports and work papers.

The selections in the bar chart above range from not at all to frequently. 10 (3.8%) Not at all, 46 (17.6%) Once in a while, 80 (30.5%) Sometimes, 72 (27.5%) Fairly often, and 54 (20.6%) Frequently, according to the 262 respondents.

Table 15: To have a thorough knowledge of the entity’s internal control system, the external auditor uses the internal auditors’ reports and work papers.

		Frequency	Percent
Valid	Not at all	10	3.8
	Once in a while	46	17.6
	Sometimes	80	30.5
	Fairly often	72	27.5
	Frequently	54	20.6
	Total	262	100.0

### 3. Hypothesis Three

#### a. Internal and external auditors both have necessary skills according to professional norms

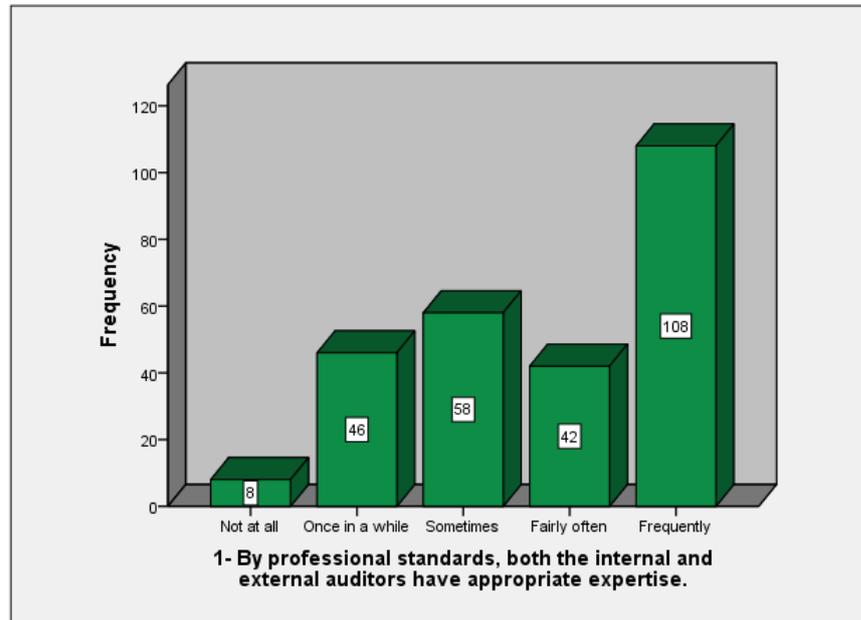


Figure 16: By professional standards, both the internal and external auditors have appropriate expertise.

The selections in the bar chart above range from not at all to frequently. 8 (3.1%) Not at all, 46 (17.6%) Once in a while, 58 (22.1%) Sometimes, 42 (16%) Fairly often, and 108 (41.2%) Frequently, according to the 262 respondents.

Table 16: By professional standards, both the internal and external auditors have appropriate expertise.

		Frequency	Percent
Valid	Not at all	8	3.1
	Once in a while	46	17.6
	Sometimes	58	22.1
	Fairly often	42	16.0
	Frequently	108	41.2
Total		262	100.0

**b. Internal and external auditors are trained and educated on a regular basis to stay up with changes in professional standards**

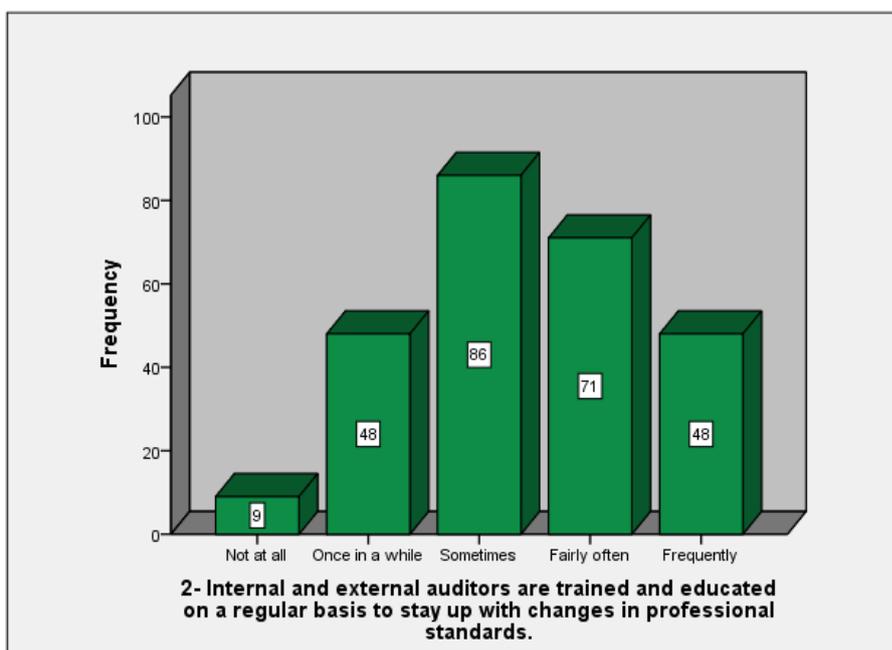


Figure 17: Internal and external auditors are trained and eductaed on a regular basis to stay up with changes in professional standards.

The selections in the bar chart above range from not at all to frequently. 9 (3.4%) Not at all, 48 (18.3%) Once in a while, 86 (32.8%) Sometimes, 71 (27.1%) Fairly often, and 48 (18.3%) Frequently, according to the 262 respondents.

Table 17: Internal and external auditors are trained and eductaed on a regular basis to stay up with changes in professional standards.

		Frequency	Percent
Valid	Not at all	9	3.4
	Once in a while	48	18.3
	Sometimes	86	32.8
	Fairly often	71	27.1
	Frequently	48	18.3
	Total	262	100.0

**c. Internal and external auditors must use caution while inspecting and evaluating the internal control system**

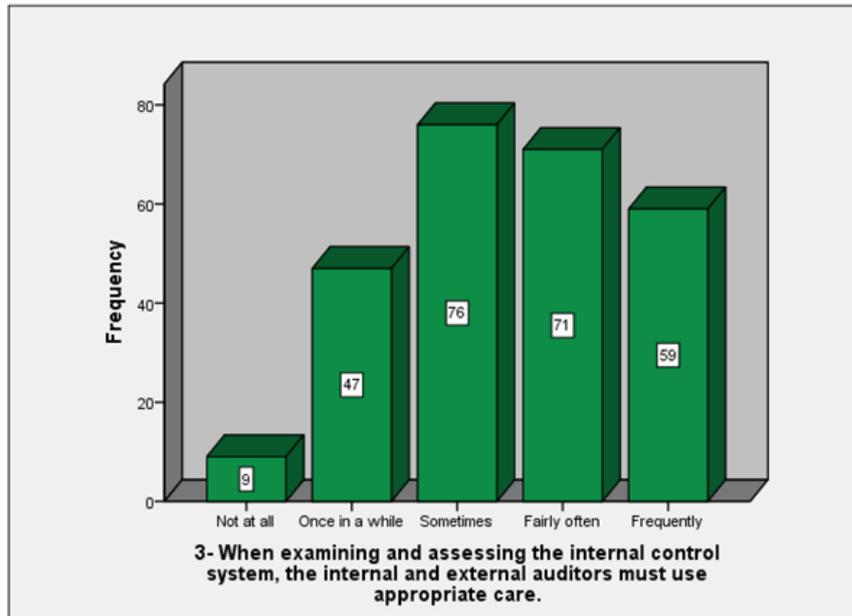


Figure 18: Internal and external auditors must use caution while inspecting and evaluating the internal control system

The selections in the bar chart above range from not at all to frequently. 9 (3.4%) Not at all, 47 (17.9%) Once in a while, 76 (29%) Sometimes, 71 (27.1%) Fairly often, and 59 (22.5%) Frequently, according to the 262 respondents.

Table 18: Internal and external auditors must use caution while inspecting and evaluating the internal control system

		Frequency	Percent
Valid	Not at all	9	3.4
	Once in a while	47	17.9
	Sometimes	76	29.0
	Fairly often	71	27.1
	Frequently	59	22.5
	Total	262	100.0

#### 4. Hypothesis Four

##### a. There is two-way contact with the internal-external auditor to discuss development and resolve problems

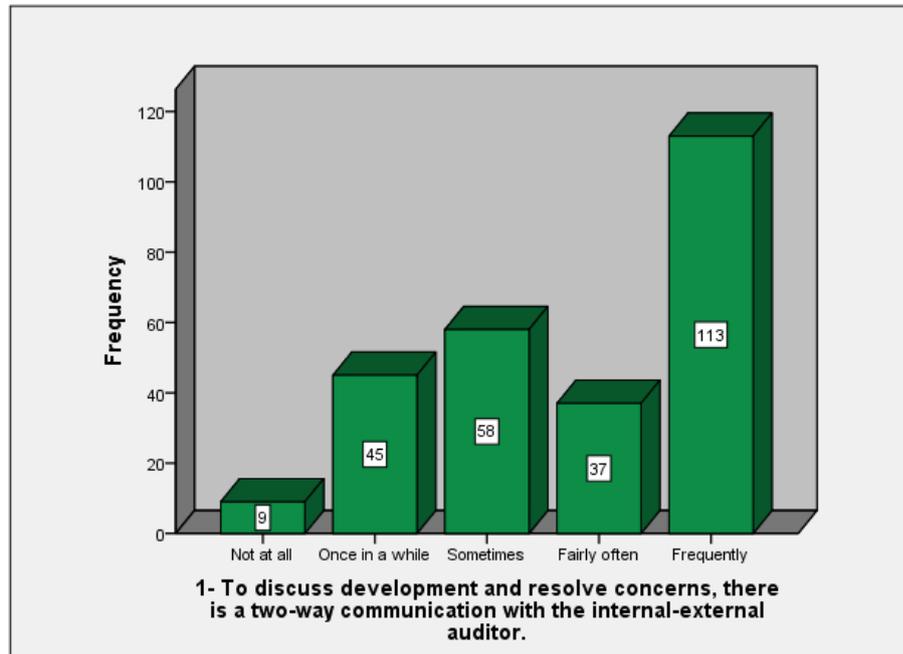


Figure 19: To discuss development and resolve concerns, there is a two-way communication with the internal-external auditor.

The selections in the bar chart above range from not at all to frequently. 9 (3.4%) Not at all, 45 (17.2%) Once in a while, 58 (22.1%) Sometimes, 37 (14.1%) Fairly often, and 113 (43.1%) Frequently, according to the 262 respondents.

Table 19: To discuss development and resolve concerns, there is a two-way communication with the internal-external auditor.

		Frequency	Percent
Valid	Not at all	9	3.4
	Once in a while	45	17.2
	Sometimes	58	22.1
	Fairly often	37	14.1
	Frequently	113	43.1
	Total	262	100.0

**b. The internal and external auditors provide the audit committee with information on how they can effectively communicate with one another**

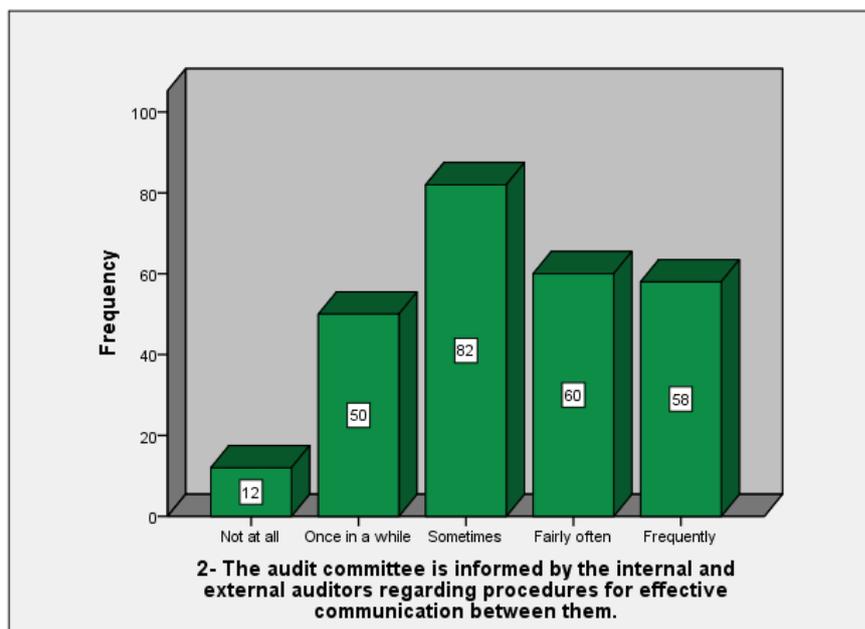


Figure 20: The audit committee is informed by the internal and external auditors regarding procedures for effective communication between them.

The selections in the bar chart above range from not at all to frequently. 12 (4.6%) Not at all, 50 (19.1%) Once in a while, 82 (31.3%) Sometimes, 60 (22.9%) Fairly often, and 58 (22.1%) Frequently, according to the 262 respondents.

Table 20: The audit committee is informed by the internal and external auditors regarding procedures for effective communication between them.

		Frequency	Percent
Valid	Not at all	12	4.6
	Once in a while	50	19.1
	Sometimes	82	31.3
	Fairly often	60	22.9
	Frequently	58	22.1
	Total	262	100.0

**c. There is a cooperative work plan in place to address the issues that prevent internal and external auditors from communicating effectively**

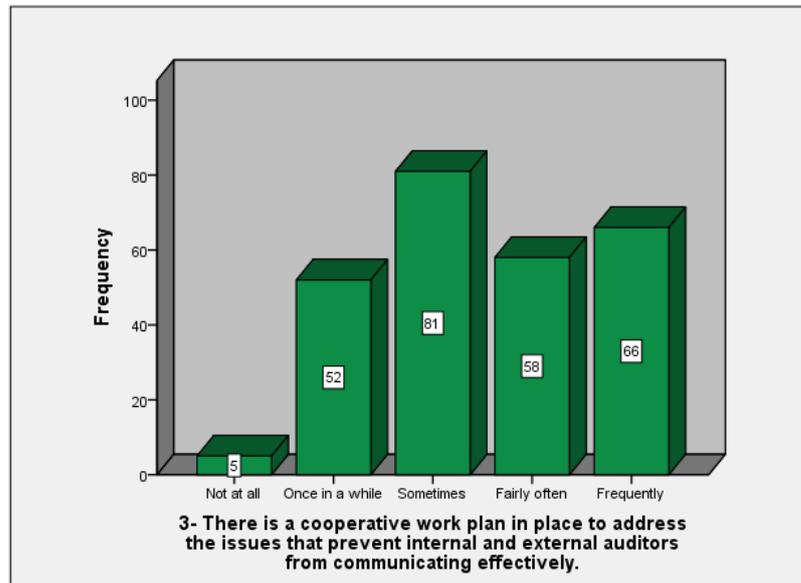


Figure 21: There is a cooperative work plan in place to address the issues that prevent internal and external auditors from communicating effectively.

The options in the bar chart above range from never to rather regularly. 5 (1.9%) No way, 52 (19.8%) On occasion, 81 (30.9%) Occasionally, 58 (22.1%) Quite frequently, and 66 (25.2%) According to the 262 responders, this occurs frequently.

Table 21: There is a cooperative work plan in place to address the issues that prevent internal and external auditors from communicating effectively.

		Frequency	Percent
Valid	Not at all	5	1.9
	Once in a while	52	19.8
	Sometimes	81	30.9
	Fairly often	58	22.1
	Frequently	66	25.2
	Total	262	100.0

**d. In order to debate and decide on the documentation standards that will be applied in their work, internal and external auditors meet**

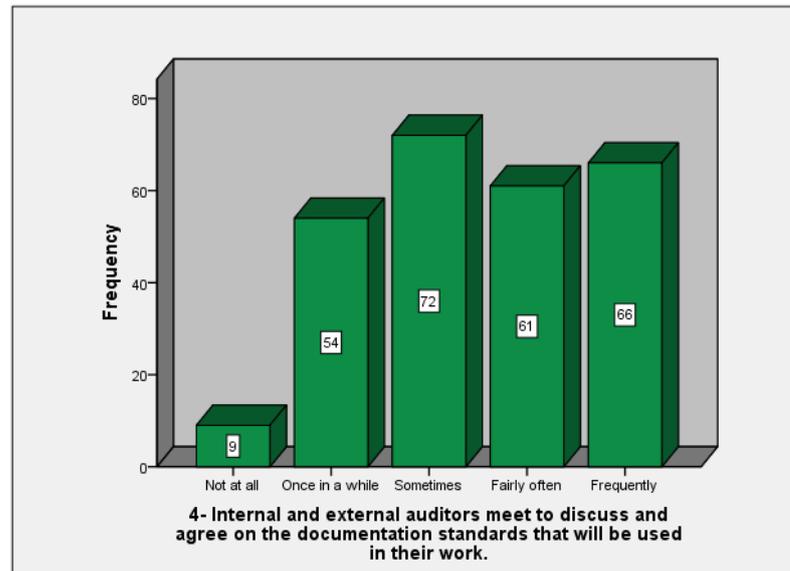


Figure 22: In order to debate and decide on the documentation standards that will be applied in their work, internal and external auditors meet.

The selections in the bar chart above range from not at all to frequently. 9 (3.4%) Not at all, 54 (20.6%) Once in a while, 72 (27.5%) Sometimes, 61 (23.3%) Fairly often, and 66 (25.2%) Frequently, according to the 262 respondents.

Table 22: In order to debate and decide on the documentation standards that will be applied in their work, internal and external auditors meet.

		Frequency	Percent
Valid	Not at all	9	3.4
	Once in a while	54	20.6
	Sometimes	72	27.5
	Fairly often	61	23.3
	Frequently	66	25.2
Total		262	100.0

**e. Together, internal and external auditors provide suggestions for strengthening and upgrading the internal control system**

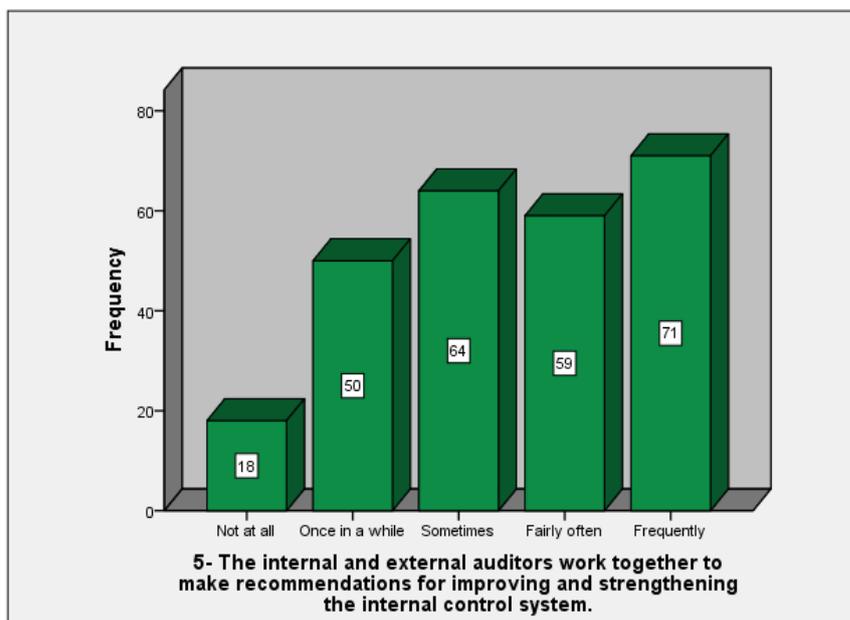


Figure 23: The internal and external auditors work together to make recommendations for improving and strengthening the internal control system.

The selections in the bar chart above range from not at all to frequently. 18 (6.9%) Not at all, 50 (19.1%) Once in a while, 64 (24.4%) Sometimes, 59 (22.5%) Fairly often, and 71 (27.1%) Frequently, according to the 262 respondents.

Table 23: The internal and external auditors work together to make recommendations for improving and strengthening the internal control system.

		Frequency	Percent
Valid	Not at all	18	6.9
	Once in a while	50	19.1
	Sometimes	64	24.4
	Fairly often	59	22.5
	Frequently	71	27.1
Total		262	100.0

**C. Analysis For Thesis Variables**

The replies to all questions relating to the thesis variables will be displayed in this part by the researcher.

## 1. Reliability Test

Cronbach's alpha is the most often used metric of internal consistency (reliability). In surveys and questionnaires, it is most typically used to assess the dependability of a scale composed of numerous Likert items. Testing for reliability also improves the objectivity, dependability, correctness, and caliber of a study. (George & Mallery, 2019). Academics frequently employ Cronbach's alpha test to evaluate internal consistency. When a questionnaire has a scale design with response options ranging from (1) Not at all to (5) Frequently, like in this study, it is often utilized. Cronbach's alpha values vary from 0.0 to +1.0, with 0.0 indicating a shaky questionnaire and 1.0 indicating a trustworthy one. A Cronbach's alpha of 0.7 or above in SPSS suggests a highly reliable questionnaire.

Table 24: Reliability analysis values Explanation based on Kilic (2016)

Cronbach Alpha reliability coefficient	Comment
0.9-1.0	Excellent
0.7-0.9	Good
0.6-0.7	Acceptable
0.5-0.6	Weak
0.0-0.5	Unacceptable

Table 25: Reliability Test

Variable	Cronbach's Alpha	N of Items
H1	.631	3
H2	.592	3
H3	.515	3
H4	.692	5
Overall Items	.856	14

The table above shows that:

- Cronbach's alpha was used to examine the dependability of all items, and a good score of 85.6% was achieved. It signifies that the items we employed in this study are assured to be dependable and relevant.

- Using Cronbach's alpha, the audit committee's contribution to improving the relationship between internal and external audit items was analyzed, and a satisfactory result of 63.1% was reached.
- Using Cronbach's alpha, the external auditor's dependence on the internal auditor's work was analyzed, and the result was 59.2%, which is bad but acceptable.
- Cronbach's alpha was used to determine the dependability of each internal auditor's commitment to the internal control system and the external auditor items, and it was found to be 51.5%, which is bad yet acceptable.
- Using Cronbach's alpha, the dependability of the presence of consistent and efficient communication and consultation of the internal control system between the internal auditor and the external auditor was investigated, and the result was 69.2%, which is good.

## **2. Normality Test (Kolmogorov-Smirnov)**

The Kolmogorov-Smirnov test is used to detect whether or not the information has a distribution that is normal. Since most parametric tests demand that the data be distributed normally, it is an essential test for testing hypotheses. The test's findings are displayed in Table No. (19), where each axis' probability value is more than 0.05 (sig. > 0.05). Given that the data appear to follow a normal distribution, parametric tests ought to be used.

Table 26: Normality Test (Kolmogorov-Smirnov)

	Hypotheses	# of Items	Z value	probability value
1	The role of the audit panel in improving the collaboration between both inside and outside audits, as well as its impact on boosting internal control frameworks and reducing outside auditor expenses.	3	0.676	0.751
2	The efficacy of the internal control framework is impacted by the outside auditor's efforts to strengthen their collaboration, which also helps to reduce the expense of an outside audit.	3	0.839	0.482
3	The commitment of every inside auditor to the system of internal oversight and every outside auditor to continued professional development, along with the consequences these commitments have on one another and the cost of an outside audit.	3	1.036	0.234
4	For the purpose of enhancing and reducing the expense of an outside audit, the in-house auditor and the outside auditor must successfully and routinely review the internal control framework.	5	0.812	0.525
Overall		15	0.753	0.622

The value of the probability was used to analyze the sections of the questionnaire; a positive paragraph means the sample employees agree with the information contained therein if the probability value is less than (0.05) and the proportion of weight is greater than (60%) and a negative sentence demonstrates the participants disagree. The statistically important level is more than 0.05 if the chance of occurring is less than (0.05), the proportional significance is less than (60%) and the sample's opinions in the section in question are unbiased.

### 3. Factor Analysis

You may assess whether your data are acceptable for factor analysis by using the Kaiser-Meyer-Olkin (KMO) Test. The test assesses how well each system parameter and the entire model are sampled. The ratio between the typical variance and the common variance is determined in statistics (Cerny & Kaiser, 1977).

Table 27: Factor Analysis- KMO Test Result

Value	Status - Result
0.00 - 0.49	Unacceptable
0.50 - 0.59	Miserable
0.60 - 0.69	Mediocre
0.70 - 0.79	Middling
0.80 - 0.89	Meritorious
0.90 - 1.00	Marvelous

**a. Factor Analysis for H1**

Table 28: KMO and Bartlett's Test for H1

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.649
Bartlett's Test of Sphericity	Approx. Chi-Square	94.731
	df	3
	Sig.	.000

According to the above data, this study's KMO for H1 is 0.649. This suggests that the sample's numbers we obtained are average and respectable.

Table 29: Communalities of H1

Communalities	Initial	Extraction
1- The audit committee creates a conducive atmosphere for auditors to examine risks, review control methods, and perform tests.	1.000	.723
2- Local and outside auditors provide input to the auditing panel about the efficiency of control procedures.	1.000	.998
3- Together with both inside and outside auditors, the inspection committee examines the internal control framework's shortcomings and areas for improvement.	1.000	.675

Based on the above table, all the extraction values are more than 0.5, so the questions will be as it is without deleting.

**b. Factor Analysis for H2**

Table 30: KMO and Bartlett's Test for H2

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.619
Bartlett's Test of Sphericity	Approx. Chi-Square	79.413
	df	3
	Sig.	.000

According to the preceding data, the KMO for H2 in this investigation is 0.619. As a consequence, our sample findings are average to good.

Table 31: Communalities of H2

Communalities	Initial	Extraction
1- To establish how dependent the internal auditor is on his job, the outside auditor takes into account the inside auditor's objectivity and competency.	1.000	.758
2- The external auditor relies on the findings of the inside auditor's examination of the bank's branches and divisions.	1.000	.986
3- The outside auditor consults the work papers and reports of the inside auditors to have a full understanding of the entity's inside control system.	1.000	.667

Based on the above table, all the extraction values are more than 0.5, so the questions will be as it is without deleting.

**c. Factor Analysis for H3**

Table 32: KMO and Bartlett's Test for H3

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.611
Bartlett's Test of Sphericity	Approx. Chi-Square	49.428
	df	3
	Sig.	.000

In this investigation, the KMO for H3 is 0.611 based on the aforementioned data. Our sample results are therefore average and respectable.

Table 33: Communalities of H3

Communalities	Initial	Extraction
1- By professional standards, both the inside and outside auditors have appropriate expertise.	1.000	.967
2- Inside and outside auditors are trained and educated on a regular basis to stay up with changes in professional standards.	1.000	.752
3- Both inside and outside auditors must use due caution while reviewing and rating the inside control system.	1.000	.576

Based on the above table, all the extraction values are more than 0.5, so the questions will be as it is without deleting.

#### d. Factor Analysis for H4

Table 34: KMO and Bartlett's Test for H4

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.711
Bartlett's Test of Sphericity	Approx. Chi-Square	208.842
	df	10
	Sig.	.000

According to the aforementioned data, this study's KMO for H4 is 0.711. Consequently, our sample findings are average and respectable.

Table 35: Communalities of H4

Communalities	Initial	Extraction
1- With the internal-external auditor, there is a two-way exchange of information to discuss developments and address issues.	1.000	.598
2- The committee responsible for auditing receives information from both inside and outside auditors on how to successfully interact with one another.	1.000	.521
3- There is a cooperative work plan in place to address the issues that prevent internal and external auditors from communicating effectively.	1.000	.628
4- In order to debate and decide on the documentation standards that will be applied in their work, inside and outside auditors meet.	1.000	.720
5- Together, inside and outside auditors provide suggestions for strengthening and upgrading the internal control system.	1.000	.724

Based on the above table, all the extraction values are more than 0.5, so the questions will be as it is without deleting.

#### 4. Correlation Analysis

When there are multiple variables in a data collection, a correlation matrix is a useful tool for summarizing data and finding correlation coefficients between all possible pairings of variables. To examine these correlations between variables, the Pearson's correlation coefficient is frequently utilized.

Table 36: Correlation Interpretations

Value	Status
In the range of 0.01 to 0.25	Weak but positive correlation
In the range of 0.25 to 0.50	Moderate correlation
In the range of 0.50 to 0.75	Strong positive correlation
The same as 1	Perfect positive correlation
The same as 0	No correlation
In the range of -0.01 to -0.25	Weak negative correlation
In the range of -0.25 to -0.50	Moderate negative correlation
In the range of -0.50 to -0.75	Strong negative correlation
In the range of -0.75 to -1.00	Perfect negative correlation

Correlation coefficients vary from -1.00 to +1.00.

Table 37: Correlation Analysis

Correlations		H1	H2	H3	H4
H1	Pearson Correlation	1	.585**	.648**	.563**
	Sig. (2-tailed)		.000	.000	.000
	N	262	262	262	262
H2	Pearson Correlation	.585**	1	.519**	.584**
	Sig. (2-tailed)	.000		.000	.000
	N	262	262	262	262
H3	Pearson Correlation	.648**	.519**	1	.575**
	Sig. (2-tailed)	.000	.000		.000
	N	262	262	262	262
H4	Pearson Correlation	.563**	.584**	.575**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	262	262	262	262

The correlation between variables is shown in the table above. The Pearson Correlation of all hypotheses have a significant strong positive correlation.

## 5. Testing Hypotheses

Table 38: Analysis of Hypethesis 1:

Items	Mean	Relative Weight	Probability Value
1 The audit committee creates a conducive atmosphere for auditors to examine risks, review control methods, and perform tests.	3.00	86.00	0.000
2 Inside and outside auditors provide feedback to the audit committee on the effectiveness of internal controls.	3.61	84.80	0.000
3 The inside control system's flaws are discussed by the audit committee and possibilities to enhance the inside control system with the inside and outside auditors.	3.36	83.20	0.000
Overall Items	3.32	84.67	0.000

The opinions of the research sample in hypothesis 1 are displayed in the table above, and the findings indicate that the highest item in terms of relative weight is as follows:

- In item 1, the probability value is 0.000, which is less than 0.05, and the relative weight is 86.00%, indicating that the Audit Committee provides an appropriate environment that enables the Audit Committee to create an environment that is conducive for auditors to examine risks, review control methods, and conduct tests.

The outcomes also demonstrate that the item with the lowest relative weight is as follows:

- For item 3, "The auditing committee discusses the control system's weaknesses and potential improvements with the internal and external auditors," the relative weight is "83.2%" and the probability value is "0.000," which is less than (0.05).

In summary, the results show that the arithmetic mean of the items is (3.32), the relative weight is (84.67%), greater than the average's relative weight ("60%"), and the probability value is ("0.000"), which is less than 0.05. It implies that a committee is influential. Auditing strengthens internal control systems and the

relationship between internal and external auditing at the level of significance = 0.05, supporting the hypothesis.

**The result of the hypothesis: Supported.**

Table 39: Analysis of Hypethesis 2:

Items	Mean	Relative Weight	Probability Value
1 To establish how dependent the inside auditor is on his job, the outside auditor takes into account the inside auditor's competence and openness.	3.80	86.00	0.000
2 The outside auditor relies on the findings of the inside auditor's examination of the bank's branches and divisions.	3.42	79.20	0.000
3 The outside auditor consults the work papers and reports of the inside auditors to have a full understanding of the entities inside control system.	3.56	82.80	0.000
Overall Items	3.59	82.67	0.000

The opinions of the research sample in hypothesis 2 are displayed in the results provided in the table above, and the findings indicate that the highest item in terms of relative weight is as follows:

- In item 1, the probability value is 0.000, which is less than 0.05, and the relative weight is 86.00%, suggesting that the outside auditor considers the inside auditor's objectivity and competence when determining how dependent he is on his work.

The outcomes also demonstrate that the item with the lowest relative weight is as follows:

- In item 2, the relative weight is "79.20%," showing that "the findings of the inside auditor's audit of the bank's locations and subdivisions are relied upon by the outside auditor," and the probability value is "0.000," which is less than (0.05).

Overall, the findings indicate that the items have an arithmetic mean of (3.59), a relative weight of (82.67%), which is greater than the average relative weight of "60%," and a probability value of (0.000), which is less than 0.05, which, at the level of significance = 0.05, is significant, supports the idea that there is a positive relationship between internal audit and external audit that is strengthened by

the internal auditor's work, as well as a positive impact on the internal control system and a reduction in the cost of external audit.

**The result of the hypothesis: Supported.**

Table 40: Analysis of Hypethesis 3:

Items	Mean	Relative Weight	Probability Value
1 Professionally speaking, both internal and external auditors possess the necessary skills.	3.90	90.40	0.000
2 Both internal and external auditors get ongoing training and education to keep current with changes in industry norms.	3.52	84.00	0.000
3 The internal control framework must be reviewed and rated by auditors from the inside out with reasonable caution.	3.58	90.00	0.000
Overall Items	3.67	88.13	0.000

The opinions of the study sample in hypothesis 3 are displayed in the table above, and the findings indicate that the highest item in terms of relative weight is as follows:

- For item 1, the relative weight of 90.40% and the probability value of 0.000, which is less than 0.05, demonstrate that both the internal and external auditors have the required expertise.

The outcomes also demonstrate that the item with the lowest relative weight is as follows:

- For item 2, the probability value is "0.000," which is less than (0.05), and the relative weight is "80.00%," both of which show that "Internal and external auditors are trained and educated on a regular basis to stay up to date with changes in professional standards".

Generally speaking, the results show that the items' arithmetic mean is (3.67), their relative weight is (88.13%), which is higher than the average relative weight of "60%," and their probability value is ("0.000"), which is less than 0.05. This demonstrates that each internal and external auditor's dedication to professional growth has an impact on the development of their relationship at the level of significance = 0.05, supporting the hypothesis.

**The result of the hypothesis: Supported.**

Table 41: Analysis of Hypethesis 4:

Items	Mean	Relative Weight	Probability Value
1 With the internal-external auditor, there is a two-way exchange of information to discuss developments and address issues.	3.88	76.00	0.000
2 The inside and outside auditors provide the audit committee with information on how they can effectively communicate with one another.	3.52	78.80	0.000
3 There is a cooperative work plan in place to address the issues that prevent internal and external auditors from communicating effectively.	3.59	75.20	0.000
4 In order to debate and decide on the documentation standards that will be applied in their work, internal and external auditors meet.	3.54	76.40	0.000
5 Together, internal and external auditors provide suggestions for strengthening and upgrading the internal control system.	3.57	78.00	0.000
Overall Items	3.62	76.88	0.000

The opinions of the research sample in hypothesis 4 are displayed in the results provided in the table above, and the findings indicate that the highest item in terms of relative weight is as follows:

- In item 2, the probability value is 0.000, which is less than 0.05, and the relative weight is 78.80%, demonstrating that the audit committee was aware of the systems for efficient communication between the internal and external auditors.

The outcomes also demonstrate that the item with the lowest relative weight is as follows:

- For item 3, the probability value is "0.000," which is less than (0.05), and the relative weight is "75.20%," indicating that "There is a cooperative work plan in place to address the issues that prevent internal and external auditors from communicating effectively".

According to the overall findings, the items' relative weight is equal to 76.88%, which is greater than the average relative weight of "60%," and their probability value is equal to "0.000," which is less than 0.05. This demonstrates a relationship between the presence of regular and efficient communication and consultation of the internal control system between the internal auditor and the external auditor, supporting the hypothesis, at the level of significance = 0.05.

**The result of the hypothesis: Supported.**

## 6. Hypotheses Test Summary

Table 42: Hypotheses Test Summary

H	Hypothesis	Result
H1	The internal control framework must be reviewed and rated by auditors from the inside out with reasonable caution. Increasing the relationship between the in-house audit and outside auditors, as well as its impacts on enhancing the internal control framework and reducing the cost of an outside audit, are all of statistical importance functions of the committee for auditing.	supported
H2	The reliance of the outside auditor on the in-house auditor's efforts to improve the connection between the the in-house audit and the outside audit, and also the effects of that connection on the development of the internal control structure and the cost of the outside audit, are statistically significantly correlated.	supported
H3	In terms of the degree to which they get together with others and the more or less cash they spend on outside audits, there is a statistically significant association between each inside auditor's devotion to their internal control framework and each outside auditor's devotion to professional advancement.	supported
H4	There is a statistically significant link between the existence of frequent and successful interaction and discussion of the internal control framework between the in-house auditor and the outside auditor and the improvement and reduction of the cost associated with an outside audit.	supported

## **V. CONCLUSIONS AND RECOMMENDATIONS**

### **A. Conclusions**

In order to examine the variables influencing both inside and outside audit interactions in banks along with how these variables affect the effectiveness of internal control mechanisms and the expense of outside auditing, the research was carried out in Istanbul, Turkey. There were 262 (two hundred and sixty two) responses at first, representing different Turkish banks. Since the researcher only focused on them, the most important part of our study is present employment. Almost half of them (n=133) were internal auditors, and the remaining half (n=129) were external auditors, which gives the research results many benefits. A bachelor's degree or above was held by the vast majority of respondents (n=256).

Using the SPSS statistical analysis program and descriptive data presented as bar charts and frequency distribution tables, the hypotheses were also confirmed in Cronbach's Alpha and Reliability tests. The analysis validated each of the hypotheses.

The dedication to professional development, the dependence on external audits, According to the study's findings, two elements have an effect on the interaction between the inside audit and outside audit: the audit panel's dedication and good interaction. Turkish banks in Istanbul have these elements enhancing the system of internal oversight and lowering the expense of external audits.

Through the practical study conducted in this study, the following results were reached:

- The audit committee helps to strengthen the relationship between inside audit and outside audit in banks by keeping an eye on how the recommendations and observations made by the inside auditor and the outside auditor are being put into practice. This conclusion is in line with the findings of (Fowzia, 2010), which thought that the audit committee's commitment to fostering cooperation between them is one of the most crucial elements influencing the interaction between the

auditors from the inside and the outside.

- The Auditing Committee's support of the collaboration between the in-house and outside auditing strengthens the system of internal oversight in banks. The Committee of Auditors sets up the necessary circumstances to enable both inside and outside auditors to properly assess risks, investigate control procedures, and perform a variety of tests.
- The audit committee creates plans for how the in-house auditor can use the outside auditor more effectively, reducing the amount of work the outside auditor has to do and lowering the cost and working hours of the outside auditor. As a result, there is a stronger connection between the two types of auditing, and outside auditor expenses are decreased.
- The employment of a third-party auditor strengthens the internal control framework in banks; the outside auditor examines the inner auditor's findings and working papers in order to fully comprehend the bank's inner control system and to assess how well it works.
- The outside auditor's reliance on the in-house auditor's work lowers the overall price of the outside audit since it enables the outside auditor to take into account the internally auditor's work, cutting down on his time at work and expenses. This result is in line with the study's findings (Felix et al., 2001), which showed that the inside auditor's work should be taken into account when determining the outside auditor's fees.
- By declaring that they will use professional diligence when investigating and assessing the internal control framework, to develop their abilities and expertise, and to receive the necessary education and training to stay abreast of developments, the inside and outside auditors' commitment to continual development to keep up with improvements activates the connection and contributes to the strengthening of the internal control framework. If the in-house auditing team is efficient and educated about industry standards, the cost from an outside audit can be decreased. This is because the in-house auditors' commitment to professional growth allows the outside auditor to scale back the scope of his processes and examinations.

In addition to improving the internal control structure in banks and lowering

the cost for outside auditing, regular and effective contact and collaboration between the in-house auditor and the outside auditor helps to enhance their relationship. The outside auditor receives the results of the inner auditor's measurements and evaluations of the effectiveness of the control system within the organization. They also work together to provide suggestions for enhancing the internal control framework and choose the work schedule in order to prevent recurrence and redundancy of effort.

## **B. Recommendations**

Considering the study's findings, we advise the following:

- The committee works to improve connections between banks, but it must make sure that internal auditors attend its regular meetings with external auditors so that they may share ideas, discuss future goals, and work out issues.
- In order to cut down on his working hours and prevent duplication of effort, the outside auditor must consider the work completed by the in-house auditor. When completing his audit of the bank's locations and divisions, he must furthermore depend on the inside auditor's reports.
- The need that internal and external auditors both remain up to date with developments in the business environment and demonstrate their dedication to continuous education by being adequately informed of the regulations governing the complementary relationship between internal and external auditing.
- Paying attention to and activating the internal audit department in banks to increase the dependence of the external auditor on the internal auditor's role.
- The mechanisms for sharing files and working documents must be discussed in collaboration between the internal auditor and the external auditor.

## **C. Suggested Studies**

- How audit committees, internal auditors, and external auditors work together and how it affects how internal control mechanisms are activated in establishment.
- The roles that internal and external auditors play in promoting governance.

- How internal audit features affect how dependent the external auditor is on the internal auditor and if external audit fees are reduced.

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## **APPENDIX**

**Appendix 1:** Research Questionnaires

**Appendix 2:** Ethics Approval Form

## **Appendix 1: Research Questionnaires**

**Title:** Factors Affecting The Relationship Between Internal Audit And External Audit In Banks And Their Impact On Strengthening The Internal Control System And Reducing The Cost Of External Auditing.

**Place of Study:** Istanbul-Turkey.

### **Section 1: Demographic Questions:**

**1. Age:**

(A) 16-24

(B) 25-34

(C) 35-44

(D) 45-54

(E) 55 and above

**2. Highest level of formal education:**

(A) Secondary school

(B) Diploma

(C) Bachelor's degree

(D) Higher education

**3. Current job:**

(A) Internal auditor

(B) External auditor

**4. Scientific specialization:**

(A) Banking Sciences

(B) Business Administration

(C) Accounting

(D) School teacher

(E) Marketing

**5. Years of Experience:**

- (A) 5 years or less
- (B) 6-10 years
- (C) 11-15 years
- (D) 16-20 years

**6. Academic degrees:**

- (A) ACPA
- (B) CPA
- (C) ACCA
- (D) CIA
- (E) PHD
- (F) Accountancy
- (G) MBA

**7. Number of training courses attended in the field of auditing:**

- (A) 1 - 4
- (B) 4 - 6
- (C) 6+

## Section 2: Hypothesis 1

S.No	Statement	Not at all	Once in a while	Sometimes	Fairly often	Frequently
1	The audit committee creates a conducive atmosphere for auditors to examine risks, review control methods, and perform tests.	1	2	3	4	5
2	Internal and external auditors offer input on the efficacy of internal control to the audit committee.	1	2	3	4	5
3	The internal control system's flaws are discussed by the audit committee and possibilities to enhance the internal control system with the internal and external auditors.	1	2	3	4	5

## Section 3: Hypothesis 2

S.No	Statement	Not at all	Once in a while	Sometimes	Fairly often	Frequently
1	The external auditor considers the objectivity and competence of the internal auditor, to determine the degree of his dependence on his work.	1	2	3	4	5
2	The results of the internal auditor's audit of the bank's branches and divisions are relied upon by the external auditor.	1	2	3	4	5
3	To have a thorough knowledge of the entity's internal control system, the external auditor uses the internal auditors' reports and work papers.	1	2	3	4	5

### Section 4: Hypothesis 3

S.No	Statement	Not at all	Once in a while	Sometimes	Fairly often	Frequently
1	By professional standards, both the internal and external auditors have appropriate expertise.	1	2	3	4	5
2	Internal and external auditors are trained and educated on a regular basis to stay up with changes in professional standards.	1	2	3	4	5
3	When examining and assessing the internal control system, the internal and external auditors must use appropriate care.	1	2	3	4	5

### Section 5: Hypothesis 4

S.No	Statement	Not at all	Once in a while	Sometimes	Fairly often	Frequently
1	To discuss development and resolve concerns, there is a two-way communication with the internal-external auditor.	1	2	3	4	5
2	The audit committee is informed by the internal and external auditors regarding procedures for effective communication between them.	1	2	3	4	5
3	There is a cooperative work plan in place to address the issues that prevent internal and external auditors from communicating effectively.	1	2	3	4	5
4	Internal and external auditors meet to discuss and agree on the	1	2	3	4	5

documentation standards  
that will be used in their  
work.

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<b>5</b>	The internal and external auditors work together to make recommendations for improving and strengthening the internal control system.	1	2	3	4	5
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Thanks for your kind response.

## Appendix 2: Ethics Approval Form



T.C.  
İSTANBUL AYDIN ÜNİVERSİTESİ REKTÖRLÜĞÜ  
Lisansüstü Eğitim Enstitüsü Müdürlüğü

Sayı : E-88083623-020-43028  
Konu : Etik Onayı Hk.

02.03.2022

Sayın GEHAD KHALED IBRAHİM LABEEB

Tez çalışmanızda kullanmak üzere yapmayı talep ettiğiniz anketiniz İstanbul Aydın Üniversitesi Etik Komisyonu'nun 28.02.2022 tarihli ve 2022/03 sayılı kararıyla uygun bulunmuştur. Bilgilerinize rica ederim.

Dr.Öğr.Üyesi Alper FİDAN  
Müdür Yardımcısı

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## **RESUME**

**Name Surname:** Jehad Labeeb

### **Education**

- Istanbul Aydin University, Turkey – master’s degree

MBA (Master of Business administration)

- AOU, Saudi Arabia – bachelor’s degree

Bachelor of ENGLISH language and literature

### **Work Experience**

- Maximum Group – Real estate call center

Sep 2022 – Present

Follow through with all customer applications as assigned by the manager and clarify information received from clients and provided an alternative solution if necessary.

- Remax – Real estate agent

Oct 2021 – Sep 2022

Prepare documents such as representation contracts, purchase agreements, closing statements, leases, and deeds.

- TPS – Finance Manager

Nov 2019 – Oct 2021

Managing customer’s companies general accounting system with legal and financial papers with all expenses and incomes, specially cost accounting.

- AOU – Refugee students administration

Mar 2014 – Jan 2018

Refugee community education and development program.

**Languages**

Arabic, English, Turkish

**Skills**

- Having knowledge and experience working with Microsoft programmes and CRM system.

- Working under pressure and stress

- A good team player and Communication skills

- Interpersonal and negotiation skill