

UNIVERSITI TEKNOLOGI MARA

**AN INTERNAL AUDITOR'S COMMITMENT TO
INDEPENDENCE: INFLUENCE OF ROLE
THEORY AND AUDIT-BASED MONITORING
MECHANISMS**

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Thesis submitted in fulfilment of the requirements
for the degree of
Doctor of Philosophy

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Candidate's Declaration

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the result of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any other degree or qualification.

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ABSTRACT

The purpose of this dissertation is to construct and empirically examine a model for an internal auditor's commitment to independence (IACTI) with individual and organizational factors. At the individual level, the relationship between role ambiguity, role conflict and IACTI is examined. At the organizational level, this study examines the relationship between the quality of the external auditor's engagement, the quality of the audit committee composition and IACTI. A hypothesized moderating effect of quality of external auditor's engagement on the relationship between role ambiguity and role conflict was also tested. Data obtained from 101 in-house internal auditors of public-listed companies in Malaysia were used to test the hypotheses. The model was assessed using hierarchical linear regression and moderated regression analysis. Overall, the results provided significant relationships between role ambiguity, role conflict and quality of audit committee composition on IACTI. Nevertheless, no significant relationship was found between quality of external auditor's engagement and IACTI. In addition, the results did not seem to indicate any support for the moderating effect of the quality of external auditor's engagement in the relationship between role ambiguity and IACTI. In contrast, the moderating effect of the quality of external auditor's engagement was found to be significant in the relationship between role conflict and internal auditor's commitment to independence (IACTI). This study makes several contributions to the literature on internal auditing, management and corporate governance. First, the notion of independence of internal auditors, in terms of not subordinating their judgment to others on audit matters, is investigated from an attitudinal rather than an instrumental perspective. A measure for the concept of commitment to independence cannot, surprisingly, be found in prior auditing research literature. Scales from established measures of organizational commitment found in the organizational behavior literature, especially the instrument originated by Porter et al. (1974), are chosen as a basis for the development of this measure. Secondly, this study has been able to develop new scales to measure the concepts of role conflict (except for the dimension of intra-sender role conflict) and role ambiguity in the context of the internal auditor's work environment, by adapting from measures established in the organizational behavior literature which has been developed by Rizzo et al. (1970). Third, this study has been able to develop new scales to measure the concept of intra-sender role conflict in the context of the internal auditors by conceptualizing intra-sender role conflict theory established in the organizational behavior literature which has been developed by Kahn et al. (1964). Fourth, this study has successfully found that role-related factors and organizational factor of audit committee composition appeared to be strong predictors of commitment to independence. Finally, a fifth contribution of this study is the moderating effect of the quality of external auditor's engagement in the relationship between role conflict and internal auditor's commitment to independence (IACTI).

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