

PERCEPTIONS OF INTERNAL AUDIT QUALITY IN U.K. PRIVATE SECTOR FIRMS UNDER TQM REGIMES

ZAKI ABUSHAWISH
Zabushawsh@qu.edu.qa

ABSTRACT

This research attempted to contribute to the development of knowledge within the domain of perceptions of internal audit quality, especially in U.K. private sector firms under Total Quality Management (TQM) regimes utilizing U.K. internal audit standards. The determinants of TQM include continuous improvement, empowerment & teamwork and customer satisfaction. Different analytical and statistical techniques (e.g. rating and ranking, validity as correlations and factor analysis) were utilized. The research found that Auditees perceive 'continuous improvement' of the whole organization as an essential quality factor of the internal audit. In addition, both groups of the internal auditors and auditees value customer satisfaction the same. The important implication of the study is that Auditees welcome a closer involvement in the whole of the internal audit process.

I. INTRODUCTION

The idea of monetary approach to exchange It is important for the internal audit services to demonstrate their value to their clients such as management, auditees, external auditors, etc. If differing perceptions of internal audit quality do exist, then there may be inherent risks for any internal audit service trying to demonstrate a quality audit product to an organization, which may see internal audit in a fundamentally different way. (Hopkins, 1997). In fact, the perception of internal auditors by many of their auditees is not as good as they claim. Some internal auditors still hide behind executive power rather than building a reputation on the quality of their service. (Peters, 1992).

Clemmons (2007) summarizes the limitations of Internal audit departments

as lacking a risk-assessment model for audit planning, their activities need more internal monitoring and benchmarking, a formal manual should exist to control operating activities and the internal audit activity charter should be updated annually. In addition, Swanson (2007) indicates that the priorities of internal audit should be enterprise risk-management program, overall governance regime, and quality of the enterprise information for decision-making and business continuity program. In fact, the quality of the internal audit function will likely affect management's and the external auditor's assessment of effectiveness of the internal control system. (Gramling, Vandervelde, 2006). However, the overall objective of this research is to identify and evaluate the perceptions of the internal audit quality in TQM organizations in the U.K. private sector, by exploring the

perceptions of the internal auditors and their auditees.

II. LETRATURE REVIEW

Sisaye and Bodnar (1994) believe that internal auditing must play a central role in the administration and implementation of Total Quality Management (TQM). Internal auditing is charged with monitoring and assessing compliance with organizational policies and procedures. TQM requires policies and procedures that facilitate the allocation of resources to implement desired quality objectives. Internal auditing and control systems thus become central to implementing the TQM philosophy by providing accurate, timely, and objective reports to management on organizational operations. Such reports can support TQM and management actions by identifying and correcting errors that affect the production and delivery of quality products or services. Companies can thus use internal auditing and control systems to enhance their competitive advantage. In some companies, internal auditing departments assess and develop the implementation of software quality management regimes in order to increase their effectiveness. (Elliott, Dawson and Edwards, 2006). In fact, internal audit, in particular, should further TQM by facilitating the design and implementation of quality goals into control systems. Further, internal audit should apply TQM to its own operation. However, the internal audit profession acknowledges that TQM will have a major impact on the culture, attitude and practices of internal auditors and that internal audit units may have to decide whether to appraise, or otherwise become involved in, the organization's systems of control over its TQM strategy. In fact, the

Institute of Internal Auditors considers TQM as a "long-term and holistic approach, which links people and systems into the whole business strategy...." (Institute of Internal Auditors, 1992).

Applegate, Bergman, (1997) stated that many internal audit methodologies and practices now include advanced management philosophies of service, employee empowerment, and continuous quality improvement. Huang, Lin, Barnes, Huizenga and Lu (2007) state that companies could apply a quality program (COSO's) for auditing the company's existing strategy, computerize the auditing process and provide value-added suggestions. In fact, TQM provides a tool for measuring quality improvements and performance. It provides internal auditors with the basics of management's performance expectations. Stace (1994) stressed that the positive and independent feedback gained through the internal audit function in TQM environment can allow management to take corrective action and keep the strategic focus of the organization in line with total quality. Internal auditor's duties become more fulfilling and rewarding by virtue of the fact that he/she is part of the management team which implements improvements that have direct impact on the efficient performance of the corporation. Quality internal auditors no longer focus on compliance as their only objective, but go on to address continuous improvement and follow up their audit recommendations with management. In addition, they can reduce levels of control through TQM change environment, empowerment and teamwork. Chester (1993) believes that TQM allows the internal auditors to better analyze their work process. They continually find ways to

improve quality. Also, it allows them to get closer to the customer and to find out what service the auditee really wants and needs.

However, Hawkes and Adams (1994) believe that TQM encourages staff to make decisions and to take responsibility for their actions and it emphasises innovation and constant improvement. In addition, quality as the customer perceives is the primary objective in TQM. In TQM environments, internal auditors often perform total quality control (TQC) and total quality assurance (TQA) audits. These audits seek to ensure that quality management systems, including those which apply to the internal audit function itself, are effective in achieving quality objectives laid down in the International Standards Organization (ISO9000) series. In specific cases, firms are required to certify the effectiveness of their internal control systems. (Liebesman, 2005). However, it is reported that in many organizations quality audits are performed by external agencies, rather than by internal audit units (Institute of Internal Auditors, 2007). Such a situation could reflect the lack of quality assurance expertise among internal auditors. Nevertheless, standard No.1300 of the Institute of Internal Auditors Standards insists that the chief audit executive should develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity and continuously monitors its effectiveness. (Ibid).

In fact, quality assurance presents an ideal opportunity to confirm that internal audit is maximizing the value that can be delivered and a high-performing and effective function that can make a critical difference

to the organization. (Dixon, Goodall, 2007). However, Standard 1100 of the Institute of Internal Auditors (2007) on the concept of independence is often regarded as critical to effective internal audit practice. Perhaps as a legacy of their accounting roots, internal auditors have for long time held the view that independence is a prerequisite for objectivity and the pursuit of a professional audit approach. TQM demands that internal auditors adopt a more participative role in business activities. For instance, internal auditors could actively show people how to improve things, rather than tell them what they should be doing. Nevertheless, continuous improvement can only occur with the participation of the auditees who are sufficiently empowered to feel that they can make a difference. TQM offers enormous opportunities for internal audit functions to empower workers at all levels instead of imposing restrictions on them. Internal audit can become an empowering function that ensures not only that the system works now, but that it is responsive enough to continue working. In fact, the continuous improvement audit concept is based on the understanding by internal auditors and auditees of the importance of teamwork. (Barthelemy, zairi, 1994). Team members can generate alternative plans and can suggest ways to improve or change existing internal audit work activities. Such dialogue and interaction among team members will improve communication and understanding and help to create a co-operative work climate in the organization. Teams assist in evaluating the viability of internal audit process changes and control systems and may suggest innovative methods for future improvement.

In addition, TQM requires the internal auditor to determine who the customers are and what their needs are in order to improve the quality of internal auditing. (Hogan, 1994). This type of ‘customer service’ makes auditees happy and the internal auditor’s much easier. Their feedback is a powerful tool for understanding how they perceive the internal auditors and the extent to which the internal audits add value to their organization. (Lynch, 1992).

However, in reviewing previous research utilising the perceptions of internal audit quality, Bob Hopkins research was identified as representing a relatively well-structured framework.

Bob Hopkins—a senior research fellow at the Liverpool Business School—carried out research in 1997 based on a survey of

public sector internal auditors and auditees. He examined the quality expectations gap—an important concept in understanding the differing perceptions of internal audit quality between providers of the internal audit services and their potential purchasers. The research showed that there are significant differences between the perceptions of internal auditors and auditees and that these were likely to affect the chances of internal audit services’ success in a competitive environment.

In order to establish the key words or phrases used when auditing was being discussed, a comprehensive literature search was undertaken. The main literature examined was textbooks; academic journals; professional journals; and auditing standards. The literature search picked up over 2000 words, which were aggregated

Table 1
The internal auditors ranking of internal audit quality variables

Auditor’s Ranking:	
<i>Variable</i>	<i>Rank</i>
-Have integrity.	1
-Have good communication skills.	2
-Be objective.	3
-Be independent.	4
-Provide service to management.	5
-Make contribution to management.	6
-Prompt management action.	7
-Meet to discuss audit findings.	8
-Appraiser of internal systems.	9
-Foster constructive relations.	10
-Plans should be flexible.	11
-Make recommendations.	12
-Report should provide a formal record.	13
-Appraise.	14
-Evaluate.	15

Table 2
The Auditees ranking of internal audit quality variables

Auditees' Ranking: Variable	Rank
-Have integrity.	1
-Be independent.	2
-Be objective.	3
-Consult with management.	4
-Meet to discuss audit findings.	5
-Provide service to management.	6
-Prevent and detect fraud.	7
-Have good communication skills.	8

Source: Hopkins; Robert Neil. "The nature of audit quality-a conflict of paradigms? An empirical study of internal audit quality throughout the united kingdom public sector", *International Journal of auditing*, 1(2), 1997, P: 117-133.

into key concepts forming 39 key words and phrases. The words fall into three categories; objectives; activities, and qualities and skills. A questionnaire was derived which asked how strongly a quality internal audit service should be associated with the key terms included. For example, the auditors have ranked the variables of internal audit quality in a different way with what the auditees have done; as the following:

From the above tables it would appear that both of the auditors and auditees have ranked 'Have integrity' as the highest quality variable. The second quality variable for the auditors was 'Have good communication skills', while for the auditees is 'Be independent'. In addition, it is evident that the auditees attach a higher quality ranking to the probity Linked variable 'preventing and detecting fraud'. However, the correlations between all of the variables both for the auditors and the auditees were examined. By considering how each variable links with

other variable it is possible to see how auditors and auditees understand each variable and their understanding of the term 'internal audit quality'.

For example, 'integrity' for an auditor has an excellent association with variable 'be objective', a strong relationship with variable 'make recommendations' and a good relationship with variable 'have good communication skills'.

Auditees on the other hand relate 'integrity' directly to 'independence' relating 'have good communication skills' directly to 'providing

a service to management'. The auditor links 'independence' with a 'service to management while the auditee links 'independence' with 'integrity'. Auditors relate 'prevent and detect fraud' to 'finding errors' and 'exercising judgement when determining what evidence is necessary'. The auditee also relates 'prevent and detect fraud' to 'finding errors' but also connects 'prevent and detect fraud' to the auditor 'possessing qualifications' and 'verifying a true and fair view'. For the internal auditor, the key concepts tend centre on technical and personal skills and attributes which eventually focus on the internal audit report, i.e. appraising, analysing, evaluating, leading to drawing conclusions, giving advice and innovation as a service to management. 'Appraise' for the internal auditor has a short route to 'service to management 'through 'advise' whereas the auditee map has no such direct route. The auditee links 'service to management' with the far more

personal 'good communication skills' and the 'value-for-money'. In addition, the auditees link 'advise' to changes, which are in turn strongly associated with reporting and internal control. Hopkins noted that the internal auditors link 'foster constructive relationships' directly to 'appraising the internal control system', the behavioural aspects being secondary to the task of gaining information. Furthermore, the internal auditors link 'flexible plans....' to 'consulting with management' but do not link these two concepts with any other group. The auditee, however, links 'flexible plans....' to 'foster constructive relationships' and 'consulting....' emphasising the importance of working more closely with the internal auditor. The internal auditors link qualifications and experience directly to internal control appraisal and reporting, whilst the auditees link qualifications and experience to fraud, error. Hopkins's paper has shown that an expectation gap exists between the providers and purchasers of internal audit services. Particular issues were identified relating to concepts of probity and independence and there was a clear indication that auditees welcome a closer involvement in the whole of the internal audit process. This latter finding places a considerable emphasis on the behavioural skills of the internal auditor, which are a key quality attribute of the internal audit process as perceived by the auditee. The mind-maps of perceptions of quality internal audit created from the survey do show some consensus. The mapping demonstrates that two distinct paradigms of internal audit quality exist for internal auditors and auditees. These distinct 'models' of perceptions of quality internal audit must inevitably create a potential for conflict between the providers and purchasers of internal audit services. The

auditees do not necessarily see the key terms associated with internal audit in the same quality manner, as do the internal auditors. The quality associations dealt with in that paper show that there is a demonstrable need for the internal auditor to understand the perceptions of their customers. It is necessary for internal auditors to study the quality-language of internal audit with a new perception. Key terms routinely used by internal auditors may carry completely different weights and meanings when considered by the auditees.

III. RESEARCH METHODOLOGY

As stated earlier this research is aimed to study the perceptions of internal audit quality in U.K. private sector firms under TQM regimes utilizing U.K. internal auditing standards. The research is comprised of four main constructs (independent variables) i.e. objectives, skills, activities of the internal auditors and the elements of TQM. These constructs have been defined in terms of dimensions (23 variables), which in turn have been operationalized through a number of multiple-item scales (69 questions) in three-section questionnaire. The analytical process is based on rating and ranking of the research items, then the evaluation of the valid scale measures- e.g. correlations and factor analysis tests.

IV. ANALYSIS AND FINDINGS

1. Rating and Ranking:

Depending on the mean values, the answers were rated on a 1-4 scale: V.imp (very important), Imp (important), L.imp (little important), and N.imp (not important). Then the mean values were used to order (rank) the responses. Ranking provides a relative

measure of quality attached to items; so that differences of ranking between the internal auditors and auditees could be calculated. The fit between both groups could be analyzed then by calculating correlation coefficients. Correlations were classified as Perfect =1.00, Excellent = .99 - .81, Strong = .80 - .71, Good = .70 - .61, and Reasonable = .60 - .50. Finally, the contribution of each item to the total expectation gap could be calculated. The following is (Table 1) that contains ranking, rating, ranking difference, and quality expectation gap of the research variables' phrases.

As noticed in table 2 above, there is a good correlation (.681) between the views of internal auditors and those of auditees. However, an obvious example of quality expectation gap between both groups is "Staffing is adequate" (9.42%) where auditees rank it fifteen-the middle of their perceptions-and the internal auditors rank it thirty three-the end of theirs. Auditees believe that adequacy of staff is an important issue in judging qualification. An appropriate and adequate number of internal auditors employed in a department is important factor in order to execute internal audit missions in effective way. Another area of quality expectation gap is "Criticism is positive" (6.80%). The internal auditors rank it eighth and auditees rank it twenty-one. The internal auditors seek to establish a constructive function where they can assist the staff to implement their objectives and listen to their ideas. On the other hand, the auditees rank that phrase too low because they personalise 'criticism' and think that they themselves are criticised while the internal auditors criticise systems. Also, "Motivation of staff" is a quality expectation

gap here (5.75%). It is ranked seventh by the internal auditors and eighteenth by the auditees. This indicates that the internal auditors value high customer satisfaction. They may feel that TQM philosophy has a significant influence on their audit quality. In addition, "Channels of communication are adequate" is ranked eleventh by the internal auditors and twenty-second by the auditees. This shows clearly that the internal auditors value high the communication. The prime reason for that is the fact that the main objective of the internal auditors is to keep management informed about the situation in the organization through an effective communication means. However, the internal auditors may perceive 'communications involve all parties' as providing the auditees with the final report of the internal audit, which is not necessarily what the auditees really want from communications. They may want to be involved and informed about every aspect of the internal audit. Another example of quality expectation gap (4.71%) is "Complaints are dealt with" as auditees rank it fifth and internal auditors rank it fourteenth. Auditees emphasis on internal auditors to implement the environment of satisfaction as their complaints are dealt with and their opinions are listened to. Similarly, the auditees rank "Standards are met" tenth while the internal auditors rank it nineteenth. Auditees value high the assurance of integrity in the internal audit findings as the internal auditors abide by and comply with the audit standards when they accomplish their assignments. Furthermore, another area of quality expectation gap (4.18%) is "Aware of key concerns" which is ranked tenth by the auditees and eighteenth by the internal auditors. This indicates that auditees place high value to weaknesses and irregularities

Table 3
Phrases: Ranking, Rating, Ranking difference, Quality Expectation Gap %

Phrases	Internal Auditors		Auditees		Ranking difference	Quality Expectation Gap %
	Ranking	Rating	Ranking	Rating		
- Teamwork approach	1	V.imp	3	V.imp	-2	1.04%
- Communication involves all parties	2	V.imp	7	V.imp	-5	2.61%
- Encouraged to make suggestions	3	V.imp	1	Imp	2	1.04%
- Expressing disagreement	4	V.imp	4	V.imp	0	0%
- Decisions are discussed	5	V.imp	13	V.imp	-8	4.18%
- Empowerment of staff	6	V.imp	2	V.imp	4	2.09%
- Motivation of staff	7	Imp	18	Imp	-11	5.75%
- Criticism is positive	8	Imp	21	Imp	-13	6.80%
- New technology	9	Imp	11	V.imp	-2	1.04%
- Staff are committed	10	Imp	9	V.imp	1	0.52%
- Channels of communications	11	Imp	22	Imp	-11	5.75%
- Prepared to meet aims	12	Imp	6	V.imp	6	3.14%
- Things are improved continuously	13	Imp	12	V.imp	1	0.52%
- Complaints are dealt with	14	Imp	5	V.imp	9	4.71%
- Job objectives are clear	15	Imp	8	V.imp	7	3.66%
- Data collected on performance	16	Imp	24	Imp	-8	4.18%
- Conflicts are dealt with	17	Imp	20	Imp	-3	1.57%
- Aware of key concerns	18	Imp	10	V.imp	8	4.18%
- Standards are met	19	Imp	10	V.imp	9	4.71%
- Feeling comfortable	20	Imp	23	Imp	-3	1.57%
- Staff success is recognised	21	Imp	19	Imp	2	1.04%
- Committed to empowerment	22	Imp	14	V.imp	8	4.18%
- No unhealthy competition	23	Imp	29	Imp	-6	3.14%

Table 3
Phrases: Ranking, Rating, Ranking difference, Quality Expectation Gap % Contd...

Phrases	Internal Auditors		Auditees		Ranking difference	Quality Expectation Gap %
	Ranking	Rating	Ranking	Rating		
- No unacceptable of concerns	24	Imp	18	Imp	6	3.14%
- Decisions based on information	26	Imp	27	Imp	-1	0.52%
- Responds to concerns	27	Imp	16	V.imp	9	4.71%
- Training of staff	28	Imp	15	V.imp	7	3.66%
- Co-ordination in the organisation	29	Imp	25	Imp	4	2.09%
- No panic situations	30	Imp	30	L.imp	0	0%
- Structure is helpful	31	Imp	28	Imp	3	1.57%
- Activities easily handled	32	Imp	26	Imp	6	3.14%
- Staffing is adequate	33	Imp	15	V.imp	18	9.42%
Correlation	1.000		.681			100.00

Table 4
Phrases: Ranking, Correlation

		Internal auditors	Auditees
Internal Auditors	Pearson Correlation	1.000	.681**
	Sig. (2-tailed)	.	.000
	N	33	33
Auditees	Pearson Correlation	.681	1.000
	Sig. (2-tailed)	.000	.
	N	33	33

to be detected and recognized by the internal auditors as they occur. Therefore, through the internal audit process, management is informed and aware of those concerns and able to find solutions for them.

2. Correlations (interrelationship between variables):

Variables have so far been analysed in isolation. The next part of the analysis attempts to map the fundamental relationships between the variables as perceived by the



study groups. The association between variables can be calculated using correlation techniques such as Pearson Correlation. However, because the sixty nine questions divided into three sections that are all associated with internal audit, it would not be surprising if there were many correlations between them in each section. To cut down on this, correlations were classified as either Perfect =1.00, Excellent = .99 - .81, Strong = .80 - .71, Good = .70 - .61, or Reasonable = .60 - .50, and the best ones selected. Variables can then be defined in terms of their key relationship to other variables, and the major links can be mapped for each study group. The linking patterns made by each group can then be compared. The significant correlations between “phrases” here for the internal auditors and auditees are similar in some areas. Both groups link “Encouraged to make suggestions”, to a number of phrases such as “Expressing disagreement”, “Decisions are discussed”, “New technology”, “Motivation of staff”, “Complaints are dealt with”, “No unacceptable levels of concern”, “Responds to concerns”, “Conflicts are dealt with”, “Empowerment of staff”. In addition, they associate encouraging people to make suggestions to “Channels of communication are adequate”, “Communication involves all parties”, “Change in departments/sections”, “Things are improved continuously”, “Data collected on performance”, “Staff success is recognised”, “Standards are met”, and “Structure is helpful”. Both groups believe that auditees should be encouraged to discuss the internal audit decisions and make suggestions. Auditees can express their disagreement and their complaints could be dealt with effectively as the internal auditors respond to any concerns quickly. Through

empowerment, “change” in systems is tangible as things are improved continuously and new technologies are absorbed. Staff success could be recognized then and data is collected on their real performance. Both groups link customer satisfaction to adequate and effective communication channels in the organization. It indicates that all parties (auditees, internal auditors, management...) are involved in the communication process. Also, it indicates that structure is helpful and staffs meet their standards. In addition to above, the internal auditors link “Encouraged to make suggestions” to “Job objectives are clear”, “Activities easily handled”, “Criticism is positive”, and “No panic situations”. The internal auditors believe that empowerment could make job objectives clear to staff and cause activities to be easily handled. Consequently, there would be no panic situations and any criticism to staff performance would be positive. On the other hand, the auditees additionally link Empowerment to “Aware of key concerns” and “Co-ordination in the organisation”. They believe that through empowerment the internal auditors could be aware of key concerns in the organisation and co-ordination with auditees is increased. However, the internal auditors correlate the above phrases weakly to ‘Teamwork approach’, which suggests that internal auditors may believe not to fully empower staff. Internal auditors believe ‘empowerment of staff’ could increase effectiveness; but in its minimum extent. They would welcome the auditees’ suggestions to the internal audit report, any complaints to audit’s findings and discuss their conclusions with the auditees. However, the internal auditors may not prefer to work as a team with the auditees and let them be involved

in every aspect, practice and activity of the internal audit such as advising, appraising, evaluating and analysing the controls and systems of the organization. They think they could lose independence because of different interests. On the other hand, auditees believe that empowerment -in the broad sense- increases their motivation and eliminates conflicts or any unacceptable of concerns could arise. The analysis so far has shown that quality expectations gap between the internal auditors and the auditees is made up of a number of contributory

factors, which have different correlations with each other. However, the evidence suggests that the overall problem have its roots in a more fundamental issue; that key terms used in connection with audit could have fundamentally different meanings to auditors and auditees.

3. Exploratory Factor Analysis (EFA):

The technique of factor analysis enables to identify the underlying constructs or factors that explain the correlations among variables. It explains how each factor is constructed

Table 5
Factor analysis of 'Phrases'

Internal Auditors	Auditees
<p>1. Encouraged to make suggestions (50%):</p> <ul style="list-style-type: none"> - Encouraged to make suggestions. - "Change" in departments/sections. - Communication involves all parties. - Decisions are discussed. - Staff success is recognised. - Structure is helpful. - No conflicts. - Motivation of staff. - Empowerment of staff. - Expressing disagreement. - Things are improved continuously. 	<p>1. Things are improved continuously (33.5%):</p> <ul style="list-style-type: none"> - Things are improved continuously. - Staff success is recognised. - Committed to empowerment. - Channels of communication. - Job objectives are clear. - Decisions are discussed.
<p>2. Co-ordination in the organisation (10.9%):</p> <ul style="list-style-type: none"> - Co-ordination in the organisation. - Criticism is positive. - No unhealthy competition. - Prepared to meet aims. - Staffing is adequate. - No unacceptable of concerns. - Activities easily handled. 	<p>2. Training of staff (9.9%):</p> <ul style="list-style-type: none"> - Training of staff. - Complaints are dealt with. - Staffing is adequate. - Co-ordination in the organisation. - No conflicts.
<p>3. Data collected on performance (8.2%):</p> <ul style="list-style-type: none"> - Data collected on performance. - Complaints are dealt with. - Standards are met. - New technology. - Job objectives are clear. 	<p>3. Communication involves all parties (8.4%):</p> <ul style="list-style-type: none"> - Communication involves all parties. - Encouraged to make suggestions. - Responds to concerns.

Table 5
Factor analysis of 'Phrases'

Internal Auditors	Auditees
4. Feeling comfortable (6.7%): - Feeling comfortable. - No panic situations. - Channels of communication. - Staffs are committed.	4. No panic situations (6.5%): - No panic situations. - "Change" in departments/sections. - Standards are met.
5. Aware of key concerns (4.8%): - Aware of key concerns. - Training of staff. - Responds to concerns.	5. No unhealthy competition (6%): - No unhealthy competition. - Structure is helpful. - Empowerment of staff.
6. Teamwork approach (4.3%): - Teamwork approach. - Decisions based on information.	6. Criticism is positive (5.3%): - Criticism is positive. - New technology. - Decisions based on information. - Activities easily handled.
7. Committed to empowerment (3.3%): - Committed to empowerment.	7. Expressing disagreement (4.5%): - Expressing disagreement. - Aware of key concerns. - No unacceptable of concerns. - Teamwork approach.
	8. Feeling comfortable (3.8%): - Feeling comfortable. - Staffs are committed. - Prepared to meet aims.
	9. Data collected on performance (3.4%): - Data collected on performance. - Motivation of staff.

from a set of cohesive variables, allowing constructing a picture of the fundamental nature of internal audit quality as seen by the two different study groups.

The internal auditor's prime factor for phrases centres on 'Encouraged to make suggestions' that is linked to "Change" in departments/sections, communication involves all parties, decisions are discussed, staff success is

recognized, structure is helpful, no conflicts, motivation of staff, empowerment of staff, expressing disagreement and things are improved continuously. The second factor is 'Co-ordination in the organization', which is linked to criticism is positive, no unhealthy competition, prepared to meet aims, staffing is adequate, no unacceptable of concerns and activities easily handled. The third factor is 'Data collected on performance',

which is linked to complaints are dealt with, standards are met, new technology and job objectives are clear. The fourth factor is 'Feeling comfortable' that is linked to no panic situations, channels of communication and staffs are committed. The fifth factor is 'Aware of key concerns' that is linked to training of staff and responds to concerns. The sixth factor is 'Teamwork approach', which is linked to decisions based on information. Finally, the last internal auditor's factor is 'Committed to empowerment'. However, the auditees have nine quality factors for phrases. The first factor is 'Things are improved continuously' which is linked to staff success is recognized, committed to empowerment, channels of communication, job objectives are clear and decisions are discussed. The second factor is 'Training of staff' that is linked to complaints are dealt with, staffing is adequate, co-ordination in the organization, and no conflicts. The third factor is 'communication involves all parties' that is linked to encouraged to make suggestions and responds to concerns. The fourth factor is 'No panic situations' which is linked to "Change" in departments/sections and standards are met. The fifth factor is 'No unhealthy competition' which is linked to structure is helpful and empowerment of staff. The sixth factor is 'Criticism is positive' that is linked to new technology, decisions based on information and activities easily handled. The seventh factor is 'Expressing disagreement', which is linked to aware of key concerns, no unacceptable of concerns and teamwork approach. The eighth factor is 'Feeling comfortable' that is linked to staff is committed and prepared to meet aims. Lastly, the ninth factor is 'Data collected on performance' that is linked to motivation of staff.

V. CONCLUSION

The main aim of this research was to explore differences in the way internal auditing concepts are perceived by the internal auditors and auditees in the TQM organizations of the U.K. private sector, and to find out how each of these groups defines a high quality internal audit service utilizing the U.K. internal audit standards. It is important to note that the results here absolutely coincide with the conclusions of the research conducted by Bob Hopkins in the public sector mentioned earlier in the literature review. The research confirms the existence of the so-called 'quality expectations gap' in relation to internal auditing. It makes clear that, in a number of areas, internal auditors and auditees have very different perceptions of the meaning and 'quality value' of key internal auditing concepts. At a more basic level, there are significant differences of opinion among both groups as to what the primary role of internal audit actually is. The internal auditors recognize that the traditional focus for the internal audit has been changed to a positive, forward-looking emphasis on auditing systems and operations, which helps to identify, measure and control weaknesses in organizational effectiveness. They see their role as adding value to an organization through offering appraisal and advise on internal systems, backed up by wider business skills. In addition, they are affected by TQM philosophy as they are committed to customer satisfaction and encourage auditees to be satisfied and make suggestions to internal audit. The research uncovered a strong desire among auditees for greater involvement and consultation at all stages of the internal auditing

process. They are affected strongly by the elements of TQM such as empowerment, continuous improvement and customer satisfaction. They seek to participate in evaluating controls, appraise risks, advise on changes to systems, encourage solutions to problems, improve things and corrective actions to be made continuously and express disagreement. They believe that internal audit needs to be the prime mover in bringing about change. It must identify its key customers and work to develop an understanding of their perceptions and of what it is they really want. The internal audit should move from the standard audit of routine, mainly financial, systems to the audit of strategic quality mechanisms and control structures. The key to this will be effective communication and close relationship with the rest of the organization. On the other hand, the internal auditors placed high value for customer satisfaction and continuous improvement, but less value for empowerment, probably because of fears of losing independence. They may see close relationships with the auditees as a potential problem in terms of loss of independence

and conflicts of interest. Nevertheless, in a competitive market, it will be important for the internal auditors to move towards this perception of internal audit quality. This research showed that not only do the internal auditors and auditees have differing quality perceptions of key variables, but also they link the variables together in different ways. Their 'mental maps' of quality are significantly different, and these differences begin at a fundamental level. Finally, it is important to mention that the only difference between the perceptions of internal audit quality in the public sector and the TQM private sector is that the internal auditor in the private sector is committed to the internal auditing standards and guidelines; therefore internal audit is conducted professionally. On the other hand, in the public sector, the internal auditor performs his work through his function; this means that internal audit there is performed functionally rather than professionally. Therefore, the internal auditor in that case follows a specific department that is ruled by specific policies, instructions, rules and regulations.

REFERENCES

- Applegate, Dennis B; Bergman, Lawrence G, "Measuring Success", Internal Auditor, April 1997, P: 62-67.
- Barthelemy, Jean louis; Zairi Mohamed. "Making ISO 9000: The role of auditing", TQM Magazine, Vol. 5, No. 3,1994, P: 44-47.
- Chester, Lloyd, "When good is not good enough", Internal Auditor, August 1993, P: 30-34.
- Clemmons, Dani, "Benchmarking Performance", The internal Auditor, Altamonte Springs: Dec 2007. Vol.64, Iss.6; P:76-77.
- Dixon, Gerry; Goodall, Garry, "The quality assurance review: is your internal audit function effective?", Internal Auditing, Boston, Mar/Apr 2007. vol.22, Iss. 2, P:3-6.
- Elliott; Michael, Dawson; Ray, Edwards; Janet, " Towards real process improvement from internal auditing, a case study", Software Qual J, 2006, V: 14, P: 53-64).
- Gramling, Audrey A; Vandervelde, Scott D, "Assessing internal audit quality", Internal Auditing. Boston: May/Jun 2006. Vol. 21, Iss. 3; P: 26-32.
- Hawkes, Lindsay C; Adams, Michael B, "Total quality management: Implications for internal audit", Managerial auditing Journal, Vol.9, No.4, 1994, P: 11-18.
- Hogan, William M, "How to apply TQM to the internal audit function", Internal Auditing, Winter 1994, P: 3-14.
- Hopkins; Robert Neil. "The nature of audit quality-a conflict of paradigms? An empirical study of internal audit quality throughout the united kingdom public sector", International Journal of auditing, 1(2), 1997, P: 117-133.
- Huang, Shaio Yan; Lin, Yu-Chih; Barnees, F Barry; Huizenga, H Wayne; Lu, Cheng Tsung, "Techniques for improving internal auditing quality", The Journal of 21st century Accounting. Fort Lauderdale: Spring/Summer 2007.Vol. 7, Iss. 1; P: 1.
- Institute of internal auditors (UK), "Total quality management, the implications for internal audit units", Internal auditing (UK), Nov. 1991, P:12-14.
- Institute of internal auditors (UK), "Total quality management, the implications for internal audit departments", professional briefing note, No. 1, 1992, London.

Institute of internal auditors (UK), " International Standards for the Professional Practice of Internal Auditing", January 2007. Liebesman; Sandford, "Using internal auditing to mitigate risk from the Sarbanes-Oxley Law", ASQ World Conference on Quality and Improvement Proceedings, Milwaukee, USA, 2005, Vol.59, P: 7-8.

Lynch, John J. "Eliminate the Auditors" Internal Auditor, April 1992, P: 26-32.

Peters, Bruce J, "The Quality Revolution", Internal Auditor, April 1992, P: 20-24.

Sisaye, Seleshi; Bodnar, George H, "TQM and internal auditing: A Synthesis", Internal auditing, Summer 1994, P: 19-31.

Stace, Roger. "TQM and the role of internal audit", Australian accountant, July 1994, P: 26-29.

Swanson, Dan, CMA Management, 'Setting long-term goals for internal audit", Hamilton: Jun/Jul 2007. Vol. 81, Iss. 4; P: 19-21.

A Short Bio of Dr. Zaki Abushawish

Dr. Zaki K. Abushawish is an Assistant Professor of Accounting in the Accounting and Information Systems Department in the college of Business & Economics at Qatar University. He has M.sc. and Ph.D in Accounting from the School of Business of the University of Birmingham, United Kingdom. He taught undergraduate courses in Cost & Management Accounting, Auditing, Principles of Accounting, Corporate Accounting, and Financial Enterprises Accounting at the University of Qatar and The Ahmed bin Mohamed Military College. Dr. Abushawish was a member of the Board of Directors of the Scientific Accounting Association between the years 2004-2007.