



Internal Audit Function: A Comparison Between Private and Public Sectors in Balkh-Afghanistan¹

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ABSTRACT

When properly established, administered, and managed, an internal audit may help an organization accomplish its objectives. Companies that effectively established, ran and managed internal audits became better able to spot their business dangers and inefficiencies in the system, allowing them to take corrective steps and reinforce procedures. The core goal of this paper is to analyzing internal audit function and the comparison of private and public sectors in Balkh-Afghanistan (this article is derived from the thesis).

The research employed a selective sample strategy and included internal auditors from Afghanistan's private and public sectors. The analysis was conducted in the manner of a research study, employing quantitative research methodologies. Self-administered questionnaires are a type of quantitative research instrument. These questionnaires were created on a 5-point Likert scale, sent to Balkh's internal auditors in the P&P sector, and evaluated with SPSS statistical software. According to the findings, increasing the usage of internal audit competence, internal audit independence, internal audit working quality, and internal audit management system improves IAF⁴ in the P&P⁵ Sectors of Balkh Afghanistan. Some good recommendations could be given the importance of internal audit in the corporate organization, future corporate mechanisms such as the audit committee, external audit, and ownership structure should be examined for their impact on IA⁶ effectiveness. In addition, future study could include larger sample size and the discovery of a scale for evaluating the effectiveness of internal auditing. Also, one may use the effect of sector of organization, outsourcing of internal audit and management training ground over IAF.

Keywords: *Internal Audit, Internal Audit and Management, Private and public Sectors, Internal Auditors, Balkh, Afghanistan*

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⁴ Internal Audit Function

⁵ Private and Public

⁶ Internal Audit

İÇ DENETİM FONKSİYONU: BELH-AFGANISTAN'DA ÖZEL VE KAMU SEKTÖRÜ KARŞILAŞTIRMASI

ÖZ

Bu tez İstanbul Aydın Üniversitesi'nin MBA programında sunulmuştur. Düzgün bir şekilde kurulduğunda, yönetildiğinde ve yönetildiğinde bir iç denetim, bir kuruluşun amaçlarına ulaşmasına yardımcı olabilir. İç denetimleri etkin bir şekilde oluşturan, yürüten ve yöneten şirketler, sistemdeki iş tehlikelerini ve verimsizliklerini daha iyi tespit ederek düzeltici adımlar atmalarını ve prosedürleri güçlendirmelerini sağladı. Bu makalenin temel amacı, IAF'yi ve Balkh-Afganistan'daki özel sektör ile kamu sektörlerinin karşılaştırmasını analiz etmektir. Araştırma, seçici bir örneklem stratejisi kullandı ve Afganistan'ın özel ve kamu sektörlerinden iç denetçileri içeriyordu.

Analiz, nicel araştırma metodolojileri kullanılarak bir araştırma çalışması tarzında yapılmıştır. Kendi kendine uygulanan anketler, bir tür nicel araştırma aracıdır.

Bu anketler 5'li Likert ölçeğinde oluşturulmuş, Balkh'ın P&P sektöründeki iç denetçilerine gönderilmiş ve SPSS istatistik yazılımı ile değerlendirilmiştir. Bulgulara göre, İç denetim yetkinliği, iç denetim bağımsızlığı, iç denetim çalışma kalitesi ve iç denetim yönetim sisteminin kullanımının artırılması, Belkh Afganistan'ın kamu ve özel sektörlerinde IAF'yi iyileştirmektedir.

Kurumsal organizasyonda iç denetimin önemine dair bazı iyi tavsiyeler verilebilir, denetim komitesi, dış denetim ve sahiplik yapısı gibi gelecekteki kurumsal mekanizmalar, IA etkinliği üzerindeki etkileri açısından incelenmelidir. Ek olarak, gelecekteki çalışmalar daha büyük örneklem hacmini ve iç denetimin etkinliğini değerlendirmek için bir ölçeğin keşfini içerebilir. Ayrıca Organizasyon sektörünün, İç Denetim Dış Kaynak Kullanımı ve Yönetim Eğitim Alanının IAF üzerindeki etkisi de kullanılabilir.

Anahtar Kelimeler: İç Denetim, İç Denetim ve Yönetim, Özel ve Kamu Sektörü, Özel ve Kamu Sektörü, İç Denetçiler, Belh, Afganistan.

INTRODUCTION

In today's market, auditing has become increasingly important as a result of the split of ownership and management amongst enterprises, which is believed to lead to interest conflicts between agents and administrators (Adams, 1994:8-12). Internal auditing is an essential component of a company's management system., and it entails auditor responsibilities done by the audit committee and the audit committee and the executive board to improve the accuracy of financial accounts. IAF grew in popularity as a result of the organizational crises that occurred around the end of the twentieth century Faqiri, Marouf & Can, Esin. (2020).

One of the really successful means of managing and promoting corporate governance processes is to improve disciplined corporate governance (Belay, Z. (2007). Internal evaluation is a vital piece of a firm's control structure, and it involves BOD⁷ and AC⁸ auditor duties aimed at improving financial statement performance. Internal audit (IA) grew in importance as a result of the organizational crisis that started at the end of the twentieth century (Moeller, R. R. 2004). William, D. G., Brierley, J. A. & Al-T wajjry, A. (2003).

⁷ Board of Directors

⁸ Audit Committee

According to the report, having an IAD⁹ for a company has two advantages. It enhances various business activities and risk management first and foremost. Second, it allows a company to prevent and identify mistakes and theft in order to protect its assets. Various pieces of law, such as the Sarbanes-Oxley Act of 2004 and the OECD Corporate Governance Principles, have confirmed the necessity of IA.

IA production and success evaluation in a rapidly changing economic and market environment, the IAF (IAF) considers organizational complexities and relies on an advisory approach to an enterprise's success and competitiveness rather than measuring reliability (Willborn, W. & Karapetrovic, S. (2000). The value-adding function enables the company to achieve economy, production, competitiveness, and good results. In addition, the efficacy of the IA has an impact on the value-added function. Despite this, various researchers claim that IAF is not always effective. Many other studies have indicated that IA is effective in various fields. Historically, auditing analysis has been carried out and interpreted from the lens of agency theory's analytical dimension (Hanefah, M. M. & Endaya, K. A. (2013).

As a result, it was the primary rationale for the restriction of IA research (Mihret , et al , 2010). As a result, several researchers advocated for the use of institutional theory (Abu - Azza, 2012). The research looked at incorporating and analyzing the study findings from a particular viewpoint, drawing on Endaya and Hanefah's (2013). Theoretical basis for comparing the efficiency of IA to earlier research. Another method taken by Endaya and Hanefa (2013) is the synthesis of three theories: institutional, agency, and communications. Though agency theory is primarily used in this study to determine the analytical passion with which internal auditors achieve their targets, against the desires of representatives of the administrative ideologies. Endaya and Hanefah have taken a different direction by combining 3 theories (2013). The value of productive interaction with internal and external auditors is described in the communication theory.

Objectives of the Study

- Examining the capabilities of internal auditors in order to assure the success of internal auditing in the public sector.
- Examining the capabilities of internal auditors in order to assure the success of internal auditing in the public sector.
- Examining the extent of independence that an inner auditor has when conducting internal audits in the private sector.
- Examining the independence of the inner auditor when conducting internal audits in the public sector.
- Determining the level of success of the private sectors of internal audit quality.
- Determining the level of success of the public sectors of internal audit quality.
- In order to attain efficacy, investigate the breadth of IA operations in the private sector with sufficient managerial assistance.

⁹ Internal Audit Department

- In order to attain efficacy, research the scope of IA operations in the public sector with sufficient managerial assistance.

Research Hypotheses

H₁: There is statistically significant difference at level ($\alpha = 0.01$) between Effectiveness of IA and Competency of IA in Private and Public sectors.

H₂: There is statistically significant difference at level ($\alpha = 0.01$) between Effectiveness of IA and Independency of IA in Private and Public sectors

H₃: There is statistically significant difference at level ($\alpha = 0.01$) between Effectiveness of IA and Work Quality of IA in Private and Public sectors.

H₄: There is statistically significant difference at level ($\alpha = 0.01$) between Effectiveness of IA and Management Support of IA in Private and Public sectors.

THEORETICAL FRAMEWORK AND LITERATURE REVIEW

The nature of auditing and accounting has altered dramatically in recent years as a result of environmental changes. Traditional roles, on the other hand, remain to define these professions. The purpose of auditing is to provide assurance that information in a financial statement prepared in accordance with generally accepted accounting principles or other rules is accurate. The management of the reporting company is largely responsible for the financial statements. The independent auditor, on the other hand, is crucial in financial reporting. External auditors are expected to provide technical expertise, integrity, independence, and objectivity to financial statement users (Abera & Gualu). An audit is a way of obtaining and analyzing objective data about economic actions and events in order to assess the degree of consistency between these claims and set criteria, as well as presenting the results to interested users (Hayes, Dassen, Schilder, & Wallage, 2005).

It's a form of attestation service in which the auditor writes a report expressing his or her judgment on whether the financial statements comply with generally accepted accounting principles or other recognized criteria like IAS¹⁰ and IFRS¹¹. Despite significant changes in the business environment and financial markets, the key elements of financial statements remain same in terms of providing users with accurate financial information about the firm, and the audit of such statements remains unchanged as a result (Abera & Gualu).

¹⁰ International Auditing Standards

¹¹ International Financial Reporting Standards

Internal Audit in Public Sector

Internal public audit is a functionally independent and objective insurance and advisory activity that adds value and improves the activities of the public entity, assists it in achieving its objectives, and evaluates and improves efficiency and effectiveness, risk management, control, and governance processes through a systematic and methodical approach. This definition of internal public audit in this normative act, which can be found at the bottom of the page, is based on a version devised by the Institute of Internal Auditors (IIA), an American organization whose mission is to standardize internal auditing, starting with the definition of concepts, setting objectives, and continuing with the organization and performance of this activity (Dumitru & Viorica , 2019).

Setting strategy, providing supervision, and fostering ethics in businesses are all examples of good governance. Internal and external auditing services, as well as independent audits, assist effective governance in the public sector. Auditors ensure that public organizations are meeting their legal and ethical commitments to their constituents by working successfully and efficiently. (2019, The Institute of Internal Auditors).

Internal auditing is intended to give independent, objective assurance and guidance to assist boards of directors in fulfilling their oversight responsibilities, whether in the private or public sector. Internal auditing adds value when it identifies opportunities to improve governance, risk management, and control procedures. Internal auditing is also intelligent, proactive, and future-focused, according to one of The IIA's Core Principles for the Professional Practice of Internal Auditing. Internal auditors offer assessments and consulting services in areas such as finance, performance, and compliance in order to accomplish these tasks. (Internal auditors' institute, 2019).

Internal Audit in Private Sector

Whether compulsory or voluntary, the benefits of an independent audit far outweigh the expenses since it helps the board of directors fulfill its fiduciary role of providing impartial supervision and monitoring while also safeguarding the interests of stakeholders. In addition, an audit committee backed by an IAF connects the company's monitoring, governance, and oversight with the internal control environment's supervision. (2012, Stippich). Despite the fact that public-sector rules differ greatly from private-sector regulations, private-sector audit committees are responsible for important governance, monitoring, and oversight duties. As a result, following the lead of its public counterparts is in the best interests of a private firm. Internal audit plans cover a variety of areas, including financial reporting, operational efficiency, and adherence to laws, regulations, and business policies. When smaller companies develop in size and complexity, internal auditors must be able to spot and handle potential problems more rapidly (Stippich, 2012).

The IAF values good analytical tools, hazard identification methodology, training, and preparation regardless of the size of the firm or the kind of audit being undertaken. While some tools may not be required early in a company's life, the organization should begin to create the groundwork for long-term fiscal responsibility and put in place the necessary elements and people to monitor, manage, and execute the IAF from the start. (Stippich, 2012).

Although a completely independent audit committee is not needed by law in the private sector, the audit committee should include as many independent individuals as feasible in order to fulfill its duties. (Stippich, 2012). Similarities and variances in the conduct of internal audit activities in the public and private sectors Internal auditing is carried out in both public and private organisations. As a result, a comparison and explanation of the similarities and variations in how this activity is carried out in the two sets of entities is appreciated. Dumitri and Viorica (2019).

The Internal Auditing Standard

Internal audit is one of the primary units of many entities; according to (Nagy, Albert L & Cenker, , 2002), the internal revenue board is aware that the income amount on which tax is not manipulated, and that in the conclusion, the accountant report authorizes actions for improved and effective future performance. Internal audit examines and assesses the overall correctness, appropriateness, and efficiency of the domestic control process. "Internal audit identifies and avoids mistakes, frauds, and outcomes based on economic records honesty and fairness," according to (Nagy, Albert L & Cenker, , 2002).

Financial organizations like to have a strong internal auditing system too because it allows the board of directors to analyse and evaluate the organizations real performance in the most efficient and effective way possible. For better understanding and enhancing audit performance, Basel internal auditing requirements are highly suggested. The internal audit of companies and the collaboration of the director with the 2001 auditor's sample were replaced by the Basel internal audit system, which was designed in 2012.

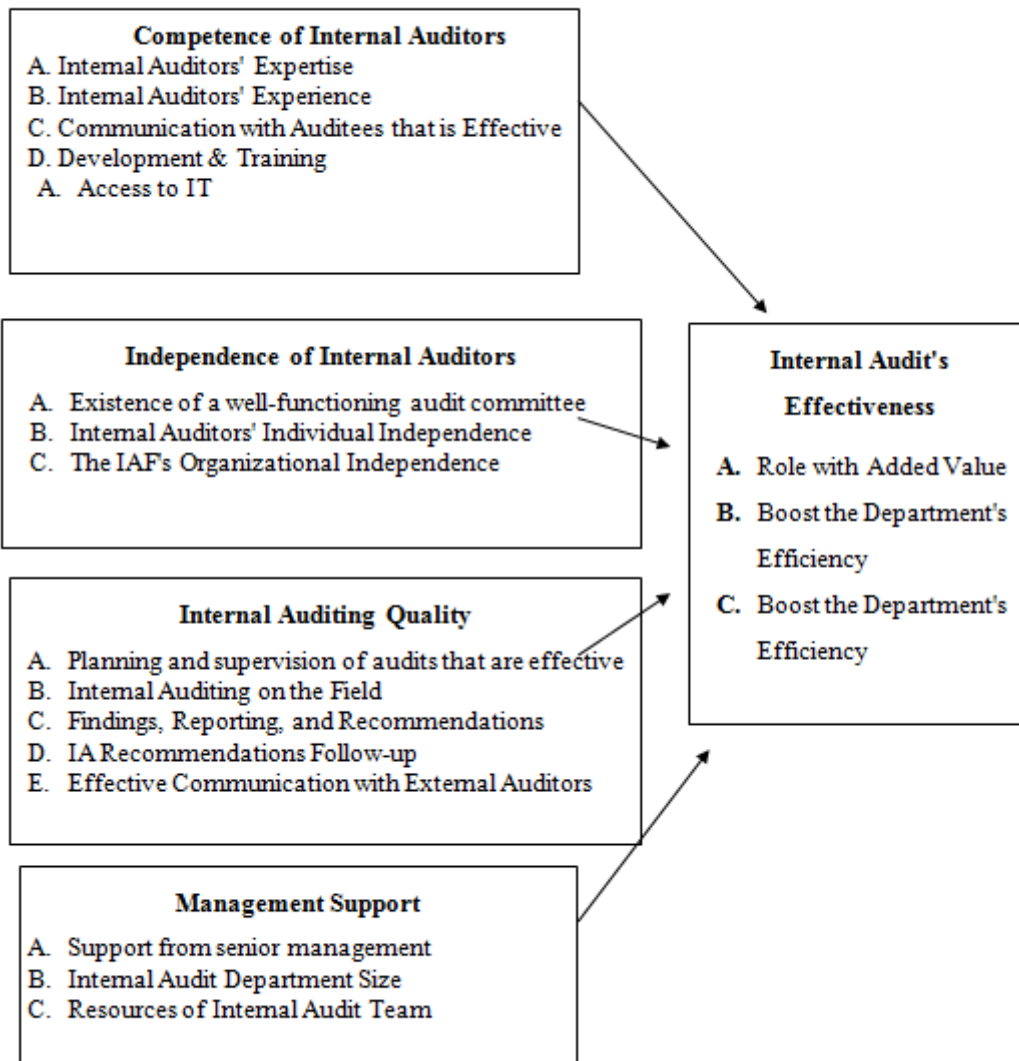
If the Basel standards are not satisfied, it is better to follow the IIA19 system, which was established in the United States in 2012.

In order to reap the benefits of the audits mentioned above, all of the organizations operations should be protected by the IA20. Internal auditing teams that are both professional and fair are critical since audits may be utilized by the senior management board to track the overall performance of the company. The internal audit role was created by the Basel Supervisory Committee in 2012. Basel's internal audit criteria were unanimously deemed the finest and most trustworthy. As a result, the Basel standards are used by most organizations.

Conceptual Framework

A conceptual framework is a presenting model in which a researcher conceptualizes or expresses the links between the study's independent and dependent variables visually or diagrammatically. The goal of a conceptual framework is to make it easier for the reader to see the proposed linkages immediately.

Figure 1: Internal Audit Effectiveness in the Public and Private Sectors: A Conceptual Model



Source: Shewhart, W. A. and Wilks, S. S., (2004)

RESEARCH METHODOLOGY

Realism, positivism, pragmatism, and interpretivism are four theoretical philosophies that dominate science (Saunders, et. Al. & Creswell, 2009). These four scientific ideas analyse the world from various perspectives (Creswell, 2003). Scholars have gained and extended their knowledge over the years based on a variety of worldviews. The sorts of research philosophies they used, for example, were as follows: Positivism (post-positivism) (Wubishet & Dereje, 2014), constructivism (Mihret et al. 2010), and pragmatism (Abu-Azza, 2012). The researcher attempted to develop knowledge using a pragmatic claim of knowledge in this investigation. "A worldview that arises from acts, situations, and consequences rather than antecedent conditions (as in post positivism)" is how pragmatism is defined (Creswell, 2003).

Since pragmatists look at the world from multiple perspectives and not in absolute terms, pragmatism is not limited to a single field of study (Creswell, 2009). It includes quantitative and qualitative components, as well as deductive, inductive, subjective, and objective components, and so provides the best work by recognizing elements of analytical hypotheses (Saunders, et al., 2009).

Population and Sampling

The study population, according to (Creswell, 2009), is the collection of all practical measures of persons, things, or interests. Internal audit personnel of Balkh P&B sector are the target demographic of the study.

The population definition is the initial step in the sample design process (Creswell, 2009). Internal auditors of all P&B companies in Balkh are designated as the research population in the second chapter of the study area. As a result, the population for this study includes internal auditors of Balkh P&B sectors.

In some studies, it is frequently difficult to study every individual of the population included. Many research, however, can overcome the difficulty if the target group is small and not excessively dispersed. As a result, representative samples are advised and accepted for any academic research to meet the problem of access to the complete population. In order to best reflect the population, a survey is performed to a group of persons or items picked from a wider population (Mason et al, 1997).

The investigator employed a purposive and convenient sampling strategy in this study. The purposeful sampling technique is connected to the research's nature and is required for the study's character (Mihret, et al., 2010). Internal auditors are not present in most Balkh P&B companies.

Research Methods

This is a quantitative study, and the purpose of the quantitative analysis is to categorize data in order to generalize the population (Marczyk, et al., 2005). In order to meet the research's purpose, the data for this survey is collected via a self-administered questionnaire.

Survey Design

When using cross-sectional surveys, data is not collected at different times over time like longitudinal data, but rather all of the data is obtained at the same moment (Creswell, 2009). Surveys include self-administered questionnaires, interviews, systematic record reviews, and coordinated observations (Creswell, 2009).

In this work, the researchers employed self-administered surveys. A lower cost option, the chance for participants to learn more about the concerns, and more confidential and easily available data are just a few of the potential advantages (Cooper & Schindler, 2006). As a result, the survey is being done in order to discover the elements that influence IA effectiveness in terms of IA team competency, independence, work quality, and management support. Self-administered surveys can be handled in one of three ways: face to face, over the phone, or over email (Marczyk, et al., 2005). The investigator chose a face-to-face survey since the return rate and intellectual honesty are high while filling out a questionnaire (Marczyk, et al., 2005).

Survey Instrument

George, (2005) created a self-administered questionnaire, which the investigator used in this

study. The research hypotheses and objectives are linked to the investigation. Despite this, the researcher modifies sections of the substance of the questions and readily explains the respondents' allegations. The survey is divided into three parts. The contestants' profiles are discussed in the first section. The basic information section comprises five questions on the respondent's background, present status, and demographic characteristics. The second section had twenty-one Likert scale questions intended at achieving a consistent, objective examination of study hypotheses; the third component was made up of groups. Finally, there is an open-ended inquiry to elicit more thoughts from the participants.

The first group consists of six Likert scale questions about IA team competence; Three Likert scale questions about IA independence make up the second group; six Likert scale questions about IA quality make up the third group; three Likert scale questions about management support make up the fourth group; and three Likert scale questions about IA effectiveness make up the fifth group. The survey is written in both English and Persian. Appendix 1 contains a sampling of the whole set of instruments. Questions on the Likert scale typically include five degrees of agreement: strongly agree, agree, neutral (undecided), disagree, and strongly disagree. During the analytics process, these are combined into a single aggregated value (Kothari, 2004; Boone Jr & Boone, 2012).

A quantitative assessment of a personality or character characteristic is obtained by combining factors (Boone & Boone Jr., 2012). A "reasonable" Likert-scale is one that has a neutral choice on both sides, resulting in a less biased measure. Both the scale labels and the numerical scale can change (Vanek, 2012). The investigator used five-point Likert scales to display the following values: [1] signified strong agreement, [2] agreed, [3] neutral, [4] disagree, and [5] strongly disagreed. The numbers in the inquiries supplied reflect conventional scale computation and the generation of data suitable for quantitative research (Boone Jr & Boone, 2012). A mean score of less than 3.00 suggests agreement with the questionnaire logic in this respect. A mean response of higher than 3.00, on the other hand, is regarded to be in disagreement with the questionnaire item (Boone Jr & Boone, 2012). The findings of a standard deviation of less than 1.00, on the other hand, show that the respondent's perspectives are comparable. On the other hand, a standard deviation of higher than 1.00 suggested that the participants' perceptions differed. Shewhart and Wilks (2004, Shewhart & Wilks).

Data Collection Procedure

First, the investigator obtained a letter of recommendation from the Department of Social Science, College of Business Administration at Istanbul Aydin University. Its goal is for it to be accepted and for participants' confidentiality to improve. Because the research participants were individuals, they retained their freedom to participate or not participate, and nothing was done without regard for ethical issues. Participants' perceptions subtly impact the research outcomes, according to Cooper & Schindler (2006); no one is obligated to participate.

Data Analysis

Data analysis also comprises investigating the main aim of the research, classifying, tabulating, and recombining data obtained (Yin, 2003). The quantitative technique of analysis used to analyse the data.

To analyse the obtained data in this article, the investigator utilized version 26 of the SPSS (Statistical Package for the Social Science) software. Because it has become the most popular

social scientist-friendly equipment in the recent times (Dawson, 2002; Singh, 2007). In accordance with the survey instrument used, the investigator employed ordinal sort (ranked) of categorical data, which is the basis of the Likert questionnaire. The information gathered in this respect is transformed into hypothesis variables via a questionnaire. This is accomplished by calculating the mean values for each construct of item answers. Researchers used demographic factors and descriptive statistics, such as frequency count, percent central tendency calculation (mean), and dispersion measurement, to summarise and define the observation findings (standard deviations). Other statistical studies, such as reliability (Cronbach's Alpha), autocorrelation assessment (Durbin-Watson), regression analysis (ANOVA), and ultimately hypothesis testing, are then given based on the data gathered via questionnaire.

DATA ANALYSIS AND INTERPRETATION

In this part, the results of the quantitative data analysis are presented. The hypotheses study is used to determine the significant impact of independent factors on the dependent variable (Field Survey, 2020). In this study, hypotheses are evaluated for a significant impact of IA Competency, Independence, Work Quality, and Management Support on IA Effectiveness, which is measured by bringing value to a firm, enhancing departmental performance, and increasing corporate efficiency. Table 17 demonstrates that the p-values for Work Quality and Management Support are statistically significant ($p < 0.05$), implying that the third and fourth hypotheses are well supported. The p-value for Independence and Competence is statistically negligible at ($P < 0.05$), which lacks support for hypotheses 1 and 2.

Questionnaire’s Reliability

In a Likert-scale questionnaire, the questionnaire's accuracy or reliability is vital. The Cronbach Alpha (α) reliability measurement value of this study is 0.794, which is higher than the value 7.0, as shown in Table 1. As a result, the data analysis was a breeze with the replies obtained in this study.

Table 1: Statistics on Reliability

Cronbach's Alpha	N of Items
.794	20

Source: Field Survey, 2021

Autocorrelation Assessment

Auto-correlated residuals are those that show patterns in the model's residuals (Brooks, 2008). The DW41 autocorrelation test is a first-order autocorrelation test. This presupposes a link between one error and the one before it. When the Durbin-Watson result is near to 2, the null hypothesis cannot be rejected in this form of analysis (Hair, et al., 1998). Because it reveals that autocorrelation is minimal or non-existent. When it's less than two, there's a positive correlation; when it's greater than two, there's a negative correlation. Based on Table 2, the statistical significance of this Durbin Watson analysis is 2.026, which is greater than 2. As a result, there is a negative impact.

Table 2: Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.498	.248	.233	.83289	2.026

a. Predictors: (Constant), IAMS, IAI, IAWQ, IAC

b. Dependent Variable: IAE

Source: Field Survey, 2021.

Based on Table 2, the appropriate tests for the variables used to indicate the efficiency of IA were investigated. It indicates that the entire contribution of competency of Internal Audit groups, Internal Audit Independence, Internal Audit Work Quality, and Management Support accounts for 24.8 percent (0.248) of the difference in internal audit efficiency.

Regression Results

Table 3, ANOVA, emphasizes the significance of the F-statistics (P=0.000) and F=16.913 model, which shows that the predictions and the impacts of the regression variables have a significant link. The model is well-suited to estimating IA efficiency.

Table 3: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	46.930	4	11.733	16.913	.000 ^b
	Residual	142.211	205	.694		
	Total	189.141	209			

a. Dependent Variable: IAE

b. Predictors: (Constant), IAMS, IAI, IAWQ, IAC

Source: Field Survey, 2021.

Regression Test Results Coefficients

The independent variable with a significance level (sig.) of less than 5 percent will make a significant influence to the dependent variable's expected value. Indeed, a variable with a significance level (sig.) higher than this cannot contribute meaningfully to the dependent variable's predicted value (Hair, et al., 1998; Brooks, 2008).

According to Table 17, the independent variables have a statistical significance of 5% over the dependent variable (Effectiveness of IA), but two of the independent variables (IA Competence and IA Independence) have no statistical significance over the dependent variable (Effectiveness of IA) because the significance levels are greater than 0.05. However, while the significance thresholds are less than 0.05, the independent variables (Work Quality and Management Support) have substantial contributions to the dependent variable (IA effectiveness).

Table 4: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.706	.315		2.242	.026
	IAC	.135	.108	.096	1.248	.214
	IAI	.074	.078	.067	0.942	.347
	IAWQ	.223	.091	.178	2.444	.015
	IAMS	.363	.078	.312	4.685	.000

a. Dependent Variable: IAE

Source: Field Survey, 2021.

If we compare the effect of just the first two independent variables (Competence and Independence) on the dependent variable (Effectiveness of Internal Audit) as shown in Table 18; the independent variables' statistical significance over the dependent variable at 5% of significance; IA Competence is significantly contributed over the dependent variable (Effectiveness of IA). The contribution of IA independence over the dependent variable (IA Effectiveness) is insignificant.

Table 5 Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.635	.290		5.633	.000
	IAC	.370	.106	.262	3.508	.001
	IAI	.155	.082	.142	1.898	.059

a. Dependent Variable: IAE

And If we compare the effect of just the last two independent variables (Work Quality and Management Support) Table 19 shows the statistical significance of the independent variables over the dependent variable (Effectiveness of Internal Audit) at 5% significance level for the dependent variable (Effectiveness of Internal Audit). Both the IA Work Quality and IA Management Support over the dependent variable (Effectiveness of IA) have significant contribution.

Table 6: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.958	.288		3.328	.001
	IAWQ	.303	.081	.242	3.727	.000
	IAMS	.399	.076	.343	5.283	.000

a. Dependent Variable: IAE

Source: Field Survey, 2021.

CONCLUSION AND RECOMMENDATION

The association between IAF and Competence of Internal Audit, Independence of Internal Audit, Internal Audit Working Quality, and Internal Audit Management System was assessed using reliability and validity measurement measures. The model was tested using Regression Analysis and Durbin-Watson Analysis, and the following major discoveries were discovered: To begin with, all independent variables have a direct positive link with Internal Audit Efficiency, which confirmed the study's first, second, third, and fourth hypotheses.

To conclude, the data show that increasing the use of Internal Audit Competence, Internal Audit Independence, Internal Audit Working Quality, and Internal Audit Management System increases IA Functionality from a statistical standpoint.

Internal Audit Competence and Internal Audit Independency are the only independent factors that have a significant impact on the dependent variable (Effectiveness of Internal Audit) at the 0.05 level.

Table 7: Comparisons of Correlations for public and private sectors

		IAE (private)	IAE (public)
IAC	Pearson Correlation	0.310**	0.289**
	Sig. (2-tailed)	0.001	0.003
IAI	Pearson Correlation	0.172	0.258**
	Sig. (2-tailed)	0.075	0.009
IAWQ	Pearson Correlation	0.236*	0.438**
	Sig. (2-tailed)	0.014	0.000
IAMS	Pearson Correlation	0.435**	0.309**
	Sig. (2-tailed)	0.000	0.002

IAE	Pearson Correlation	1	1
	Sig. (2-tailed)		

** . At the 0.01 level, correlation is significant (2-tailed).

* . At the 0.05 level, the correlation is significant (2-tailed).

If we compare the Pearson Correlation Coefficients of IAE¹² with IAC¹³, IAI¹⁴, IAWQ¹⁵, and IAMS¹⁶ for both public and private sector cases, we obtain Table 7 above, that shows how strong the linear relationship between the independent and dependent variables is.

As results show, the similarity and differences of all correlations explored briefly. The correlation of IAC and IAE for private sector obtained 0.310 and the correlation of IAC and IAE for public sector is 0.289 (both are statistically significant at 0.001 level); both correlation coefficients are very similar to each other. The correlation of IAI and IAE for private sector obtained 0.172 and the correlation of IAI and IAE for public sector is 0.258, but the correlation coefficient obtained for private sector is not statistically significant at 0.05 level); both correlation coefficients are weak and slightly similar to each other. The correlation of IAWQ and IAE for private sector obtained 0.236 and the correlation of IAWQ and IAE for public sector is 0.438 (both are statistically significant at 0.001 level); the linear correlation coefficient between IAWQ and IAE for public sector is much higher than the linear correlation coefficient between IAWQ and IAE for private sector. The correlation of IAMS and IAE for private sector obtained 0.435 and the correlation of IAMS and IAE for public sector is 0.309 (both are statistically significant at 0.001 level); the linear correlation coefficient between IAMS and IAE for private sector is much higher than the linear correlation coefficient between IAMS and IAE for public sector.

Limitations of the study

As with any research, this study has some limitations. First and most importantly, the study enlisted the participation of 210 people from both P&B sectors which this amount is less than the expected number of respondents to be done for making better conclusions, the parameters of our population were unknown.

We look at the parallels and contrasts between public sector internal auditing and its private-sector counterpart. Organizational status, outsourcing, using internal audit as a "tour of duty" function, activities, and relationships with the external auditor are all factors considered. The research is based on a survey of chief internal auditors in Australian and New Zealand companies. Internal audit in the public and private sectors appears to have different statuses, with public sector internal auditors reporting to the chief financial officer less frequently. While both public and private sector firms outsource similar amounts of work, public sector organizations are more likely to use an external auditor. In both industries, there is minimal variation between internal audit activities and exchanges with external audit. Internal audit in the private sector, on the other hand, is thought to result in a bigger reduction in audit fees

¹² Internal Audit Efficiency

¹³ Internal Audit Competence

¹⁴ Internal Audit Independence

¹⁵ Internal Audit Work Quality

¹⁶ Internal Audit Management Support

than in the public sector.

Recommendations for future researches

One may use only the effect of Internal Audit Competency and Internal Audit Independency over the functionality of Internal Audit; in that case the results would be different from what I have achieved. The result would underpin executives and academics to focus on IAE in Balkh P&B sectors. The sample size of 210 is not enough to obtain expected results; the separation of this sample size (N=210) into two groups of private sector and public sector, decreases the strength of the linear relationships between dependent variable and independent variables. The findings could be useful to the auditing profession, management, audit committees of directors, and rule-making bodies in identifying the major aspects that contribute to improving the efficiency of IA.

Given the importance of internal audit in the corporate organization, future corporate mechanisms such as the audit committee, external audit, and ownership structure should be examined for their impact on IA effectiveness. In addition, future study could include a larger sample size and the discovery of a scale for evaluating the effectiveness of internal auditing. Also, one may use the effect of Sector of Organization, Outsourcing of Internal Audit and Management Training Ground over IAF.

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