HOW DO SUSTAINABILITY ASSURANCE, INTERNAL CONTROL, AUDIT FAILURES INFLUENCE AUDITING PRACTICES?

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Abstract
The main objective of this research is to examine the association between sustainability assurance audit failures and internal control and auditing practices. The study utilizes a quantitative method through a survey of 24 auditors from the State Audit Institution in Oman. The present study tested the hypotheses using Smart-PLS for data analysis. The results revealed that sustainability assurance and internal control have a positive and significant effect on auditing practices, while the factor of audit failures had an insignificant relationship with auditing practice. The present work contributes to practitioners and scholars in the field of auditing techniques by providing implications. It does so by offering empirical evidence to academics, decision-makers, and other interested parties.

Keywords: Audit Failures, Auditing Practices, Internal Control, Sustainability Assurance

1. INTRODUCTION
Internal auditing encompasses various tasks such as examining business efficacy and efficiency, ensuring the accuracy of financial reporting, detecting fraud, assessing risk, protecting assets, and ensuring compliance with regulations and laws. These activities provide confidence in the effectiveness of public enterprises' internal control environments and may reveal opportunities for performance improvement (Maksimovic, Milickovic & Aleksic, 2021). To address deceptive income, auditors should focus on high-quality management (Alabdullah & Ahmed, 2020; Flayyih, Ali & Mohammed, 2018; Alyaarubi, Alkindi & Ahmed, 2021). Traditionally, internal audit performance has been measured in terms of the efficiency and effectiveness of the internal audit function rather than financial results and accounting information. However, the evolution of organizational performance measurement has expanded the perspective of assessing performance quality in internal auditing (Hazaea, Zhu, Al-Matari, Senan, Khatib & Ullah, 2021). Nowadays, internal auditing is legally mandated for corporate responsibility reporting in many nations, both internally and internationally. Corporate responsibility is increasingly seen as influencing the strategic and operational operations of organizations (Sheehy, Tuslian & Lie, 2021). The rise of big corporations issuing sustainability reports has created a need for a process to ensure the accuracy of these reports (Lashitew, 2021). As more companies embrace sustainability, the demand for sustainability assurance is growing. Sustainability assurance involves external, independent audits of sustainability management methods and final disclosure to enhance the robustness, accuracy, and credibility of the disclosed information (Al-Halwachi & Eklind, 2020).
Sustainability is now a topic of great public interest, with increasing demands for responsibility and transparency from businesses regarding their sustainable practices. Sustainability reporting provides useful information to stakeholders, especially investors, as evidenced by its impact on investors' decision-making (Adams & Abhayawansa, 2021). Corporate governance and sustainability are interrelated concepts crucial to a company's long-term performance and ethical behavior. Corporate governance encompasses the laws, customs, and procedures that regulate and control an organization, including the interactions between different stakeholders such as ownership, leadership, staff, clients, and the larger community. Sustainability, on the other hand, requires the incorporation of environmental, social, and governance (ESG) factors into corporate plans and operations to create lasting value while considering the interests of all stakeholders. Establishing effective internal controls and assurance processes is necessary to ensure sustainability within the context of corporate governance (Alabdullah et al., 2023, 2018, 2017, 2020; Alabdullah, 2019; Ahmed et al., 2015, 2016, 2017, 2020; Almashhadanin and Almashhadani, 2022, 2021; Almashhadani, 2020).

Sustainability assurance differs from financial auditing in that it is an uncontrolled, diverse, and primarily voluntary process that can be performed not only by auditors but also by consultants (Silvolta & Vinnari, 2021). The concern is that sustainability reporting assurance could become a form similar to financial reporting (Pasko, Balla, Levystska & Semenyshena, 2021). Some companies voluntarily initiate the process of verifying sustainability information to address questionable or lacking credibility, subjecting these reports to external assurance procedures conducted by auditors, consultants, and independent experts who produce statements and opinions. However, this verification service incurs additional fees for sustainability information reporting, which businesses only pay if they perceive a profit (Miralles-Quirós, Miralles-Quirós & Daza-Izquierdo, 2021). The process of sustainability assurance is still relatively unknown, and previous works provide limited knowledge. Enhancing sustainability assurance requires full transparency in the process (Al-Halwachi & Eklind, 2020). The lack of openness and reliability in sustainability data has recently led to the need for a quality assurance methodology (Ruiz-Barbadillo & Martinez-Ferrero, 2020).

The number of corporations issuing sustainability reports has grown alongside the increasing importance of sustainable practices. The need for sustainability report assurance has emerged to ensure the accuracy and completeness of sustainability disclosures. The certification of sustainability reports presents auditors with several challenges, with one of the most difficult being the consideration of immateriality during the assurance process (Ertan, 2021). These challenges have been found to impact the ability of audit units to provide quality audits for proper and smooth improvement at local and international levels. Challenges faced by audit units include inadequate staffing, logistical deficiencies in the audit process, slow implementation of audit recommendations, and restricted access to records (Dwamena, 2021).
2. LITERATURE REVIEW

Several studies have contributed to our understanding of auditing practices and their impact on various aspects of organizations. Titilayo and Promise (2022) conducted a study on small and medium-sized enterprises (SMEs) in Nigeria and found that the internal audit function significantly predicts business development. The study suggests that SMEs should establish an independent audit function to enhance risk management and internal control systems, leading to corporate growth.

Barros and Marques (2022) investigated the value and use of continuous assurance services from the perspective of internal auditors in Portugal. They found that internal auditors consider ongoing assurance services to be significant, but its adoption in organizations lags behind its relevance. The size of the audit department was found to influence the utilization of continuous assurance services.

Joshi and Karyawati Purba (2022) aimed to identify the factors influencing the efficacy of internal audits in publicly traded Indian corporations. Their study concluded that institutional theory provides a better explanation for the efficiency of internal audits in India compared to other theories. The efficiency of internal audit staff and the interaction between internal audit and audit committees were identified as factors affecting the effectiveness of internal audits.

Rashid (2022) examined the relationship between internal control systems and fraud detection and prevention. The study revealed that internal control systems play a significant role in preventing and detecting fraud in commercial firms.

Zaman, Farooq, Khalid, and Mahmood (2021) investigated the determinants of sustainability assurance quality by analyzing sustainability reports published by the 100 largest firms in New Zealand and Australia from 2017-2019. Their findings indicate a positive relationship between sustainability assurance and auditing practices.

Rehman (2021) explored how sustainable corporate governance affects the internal audit function in publicly traded enterprises in Oman. The study found a direct and important relationship between sustainable corporate governance and the internal audit function. This research contributes to the revision of corporate governance laws and regulatory policies with an emphasis on investor protection.

Al-Aamri, Al-musallami, Ahmed, and Qazi (2021) examined how audit committees influence the quality of financial reporting at the Muscat Stock Exchange. The study found that the audit committee has a widespread and favorable impact on the quality of financial reporting. More audit committees were associated with higher quality financial reporting.

Abdul Wahab, Gist, Gul, and Mat Zain (2021) focused on the link between external and internal audits, unaudited services, and audit fees using Malaysian data. The findings indicated that auditors willing to accept audit fees were more likely to provide non-audit services to clients, leading to higher gross income. The study also suggested that good audit quality can be achieved by relying on external internal audit firms.

Albawwat, Al-Hajaia, and Al Frijat (2021) investigated the relationship between the personal traits of internal auditors and the effectiveness of the internal audit function in Jordanian firms. The study found that internal auditors with high ratings in openness, emotional stability, experience, and conscientiousness contribute significantly to the success of the internal audit function.
Hazaea, Zhu, Al-Matari, Senan, Khatib, and Ullah (2021) conducted a review of the internal auditing literature in China up to 2020. The findings revealed that the existing literature does not significantly contribute to understanding the internal audit function as defined by the Institute of Internal Auditors. The study suggests the need for more research to fully comprehend the various aspects of internal auditing and its impact on Chinese institutions.

Pham and Nguyen (2021) investigated the influence of internal audit features on internal audit effectiveness in Vietnamese steel companies. The study found that strengthening the operational basis for internal auditing, increasing independence, improving the size and capabilities of internal audit professionals, expanding the scope of internal audit, and restructuring the internal governance model positively affect internal audit effectiveness.

Other studies have also explored topics related to auditing practices, such as DeSimone, D’Onza, and Sarens (2021) on risk assessment, Drogalas, Petridis, Petridis, and Zografidou (2020) on internal control tools in local government entities, and Nicola Dalla Via and Paolo Perego (2020) on the antecedents of non-financial audit quality.

Based on the literature reviewed, the following hypotheses have been developed:

1. **H1:** There is a positive relationship between sustainability assurance and auditing practices.
2. **H2:** There is a positive relationship between internal control and auditing practices.
3. **H3:** There is a negative relationship between audit failures and auditing practices.

### 3. RESEARCH METHODS

The study utilized a quantitative method through a survey conducted with 24 auditors from the State Audit Institution in Oman. The primary data for this study was collected through a survey administered to the auditors. The survey served as the primary method of data collection. To analyze the collected data, the researchers employed the Smart-PLS-SEM regression method, which is a reliable statistical technique. This method enabled a comprehensive analysis of the relationships between variables and provided valuable insights into the research objectives. By utilizing the Smart-PLS-SEM regression method, the researchers were able to examine the associations between different factors and draw meaningful conclusions from the data.
4. RESULTS AND DISCUSSION

4.1. Research Results

4.1.1. Response Rates

Table 1. Demographic Profiles

<table>
<thead>
<tr>
<th>Demographics</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>21</td>
<td>87.5</td>
</tr>
<tr>
<td>Female</td>
<td>3</td>
<td>12.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>24</td>
<td>100</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diploma</td>
<td>4</td>
<td>16.7</td>
</tr>
<tr>
<td>Bachelor's degree</td>
<td>14</td>
<td>58.3</td>
</tr>
<tr>
<td>Master's degree</td>
<td>4</td>
<td>16.7</td>
</tr>
<tr>
<td>CPA</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Doctoral degree</td>
<td>2</td>
<td>8.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>24</td>
<td>100</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>less than 23 y</td>
<td>1</td>
<td>4.2</td>
</tr>
<tr>
<td>23-32</td>
<td>10</td>
<td>41.7</td>
</tr>
<tr>
<td>33-42</td>
<td>7</td>
<td>29.2</td>
</tr>
<tr>
<td>43-52</td>
<td>6</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>24</td>
<td>100</td>
</tr>
<tr>
<td><strong>Experience quality</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 4 years</td>
<td>14</td>
<td>58.3</td>
</tr>
<tr>
<td>4 to 6 years</td>
<td>1</td>
<td>4.2</td>
</tr>
<tr>
<td>7 to 9 years</td>
<td>5</td>
<td>20.8</td>
</tr>
<tr>
<td>more than 10 years</td>
<td>4</td>
<td>16.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>24</td>
<td>100</td>
</tr>
<tr>
<td><strong>Major</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounting &amp; Auditing</td>
<td>7</td>
<td>29.2</td>
</tr>
<tr>
<td>Economic</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Management</td>
<td>5</td>
<td>20.8</td>
</tr>
<tr>
<td>Finance</td>
<td>1</td>
<td>4.2</td>
</tr>
<tr>
<td>Other</td>
<td>11</td>
<td>45.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>24</td>
<td>100</td>
</tr>
<tr>
<td><strong>Audit Inspection</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assistant Auditor</td>
<td>6</td>
<td>26.1</td>
</tr>
<tr>
<td>Auditor</td>
<td>7</td>
<td>30.4</td>
</tr>
<tr>
<td>Senior Auditor</td>
<td>6</td>
<td>26.1</td>
</tr>
<tr>
<td>Assistant head of audit team</td>
<td>1</td>
<td>4.3</td>
</tr>
<tr>
<td>Head of audit team</td>
<td>2</td>
<td>4.3</td>
</tr>
<tr>
<td>General Managers</td>
<td>2</td>
<td>8.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>24</td>
<td>100</td>
</tr>
<tr>
<td><strong>Experience in auditing practice?</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 6 years</td>
<td>9</td>
<td>37.5</td>
</tr>
<tr>
<td>6 to 10 years</td>
<td>10</td>
<td>41.7</td>
</tr>
</tbody>
</table>
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<table>
<thead>
<tr>
<th>Experience</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>11 to 15 years</td>
<td>1</td>
<td>4.2%</td>
</tr>
<tr>
<td>16 to 20 years</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>21 to 25 years</td>
<td>2</td>
<td>8.3%</td>
</tr>
<tr>
<td>More than 25 years</td>
<td>2</td>
<td>8.3%</td>
</tr>
<tr>
<td>Total</td>
<td>24</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 1 presents the response rates based on the participants' respondents. It indicates that 87.5% of the respondents are men, while 12.5% are women. Additionally, 58.3% of the respondents hold a master's degree, 56.7% have a bachelor's degree, and 16.7% possess a diploma. Furthermore, 25% of the respondents fall within the age range of 43 to 52, and 29.2% are between 33 and 42 years old. In terms of occupational distribution, 4.2% of the respondents work in finance, 20.8% in management, 29.2% in accounting and auditing, and 45.8% are employed in other areas.

Regarding the main roles in auditing, 26.1% of the employees are assistant auditors, 30.4% are auditors, and 26.1% hold the position of senior auditor. Additionally, 4.3% serve as assistant heads of the audit team, 4.3% as heads of the audit team, and 8.7% are general managers. In terms of experience in auditing, 37.5% of the employees have less than 6 years of experience, 41.7% have 6 to 10 years of experience, and 4.2% have more than 11 to 15 years of experience. Furthermore, 8.3% of the respondents have more than 25 years of experience.

4.1.2. Discriminant Validity and R Square

Table 2. Discriminant Validity Result

<table>
<thead>
<tr>
<th>Construct</th>
<th>AU-FAI</th>
<th>AUD-PRC</th>
<th>INT-CON</th>
<th>SUSAU</th>
</tr>
</thead>
<tbody>
<tr>
<td>AU-FAI</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AUD-PRC</td>
<td>0.324</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>INT-CON</td>
<td>0.213</td>
<td>0.702</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>SUSAU</td>
<td>0.175</td>
<td>0.349</td>
<td>0.119</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Table 2 presents the results of discriminant validity and R-Square analysis. Each item within the constructs received higher ratings compared to the items from other constructs, indicating that the evaluation of the findings confirms the accuracy of the entire set of constructs under the cross-loading condition.

The testing of the structural model was concluded after the measurement model met the suggested standards. Initially, the framework was defined using the determination coefficient ($R^2$). Based on the endogenous component of this research, which has an $R^2$ value of 0.58, it can be inferred that 58% of the variance in auditing practice can be attributed to factors such as internal control, sustainability assurance, and audit failures. This finding underscores the significant impact of these factors on auditing procedures.
4.1.3. Hypothesis Testing

Table 3. Path Coefficients Results

<table>
<thead>
<tr>
<th></th>
<th>Original Sample (O)</th>
<th>Sample Mean (M)</th>
<th>Standard Deviation (STDEV)</th>
<th>T Statistics</th>
<th>P Value(s)</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUSAU&gt; AUD-PRC</td>
<td>0.247</td>
<td>0.091</td>
<td>0.306</td>
<td>0.805</td>
<td>0.050 *</td>
<td>Accepted</td>
</tr>
<tr>
<td>INT-CON&gt; AUD-PRC</td>
<td>0.642</td>
<td>0.596</td>
<td>0.143</td>
<td>4.485</td>
<td>0.000 ***</td>
<td>Accepted</td>
</tr>
<tr>
<td>AU-FAI&gt; AUD-PRC</td>
<td>0.143</td>
<td>0.125</td>
<td>0.202</td>
<td>0.711</td>
<td>0.477</td>
<td>Not Accepted</td>
</tr>
</tbody>
</table>

The results of hypothesis testing are presented in Table 3. The first hypothesis (H1), which examines the relationship between sustainability assurance and auditing practices, is supported with a positive value (t = 0.805, p < 0.05). This indicates a significant and positive relationship between sustainability assurance and auditing practices, leading to the acceptance of H1.

The findings for internal control reveal a p-value of less than 0.001 and a t-value of 4.485. These results suggest that internal control has a positive effect on auditing practices. Notably, a higher level of internal control influences the utilization of electronic audit tools by practicing auditors. Thus, H2 is also accepted.

In contrast, the t-value and p-value for audit failures show values of p > 0.05 and t = 0.711, respectively. This finding suggests that audit failures have no significant effect on auditing practices. It implies that there is no lack of knowledge among external and internal professional auditors regarding the impact of electronic audit tools on audit failures. Therefore, H3 is not accepted.

4.2. Discussion

Sustainability has emerged as a crucial and rapidly evolving topic in the realms of business, society, and academia. The role of the audit function in organizations has gained prominence as it contributes to risk management and addresses emerging concerns like sustainability, as emphasized by the Institute of Internal Auditors (IIA, 2021) and Hazaea, Zhu, Khatib, Bazhair, and Elamer (2021). This study's findings indicate that sustainability assurance and internal control have a significant and positive impact on auditing practices. These results are consistent with previous research, such as the study conducted by Hind Juma Alyaarubi et al. (2019), which suggests that improving audit quality enhances earnings management and promotes sustainability. Similarly, Zaman et al. (2021) found evidence supporting the guarantee of sustainability through their research.

Moreover, this study reaffirms the positive and substantial influence of the internal audit function on the growth of small and medium-sized enterprises (SMEs), aligning with the findings of Titilayo and Promise (2022). The study recommends that SMEs establish an independent audit function to enhance risk management and fortify their internal control systems, thereby facilitating sustainable corporate growth. Furthermore, the impact of the audit committee on the quality of financial reporting, as highlighted by
Al-Aamri et al. (2021), underscores the significance of sustainability assurance and internal control in enhancing auditing practices.

The conclusions drawn from this research align with the findings of Joshi and Karyawati Purba (2022), who posit that institutional theory provides a more comprehensive explanation for the efficiency of internal audits compared to other theories. The efficiency of internal audit staff and the interaction between internal audit and audit committees emerged as key factors influencing the effectiveness of internal audits.

5. CONCLUSION

In conclusion, this study highlights the significant influence of sustainability assurance and internal control on auditing practices. The findings support the notion that sustainability has become an increasingly important topic globally, with organizations recognizing the value of incorporating sustainability considerations into their operations. The research aligns with previous studies indicating that improving audit quality enhances earnings management and guarantees sustainability. Additionally, the study underscores the positive and substantial impact of the internal audit function on the growth of SMEs and emphasizes the need for independent audit functions to ensure effective risk management and internal control systems. The role of the audit committee in enhancing the quality of financial reporting further reinforces the importance of sustainability assurance and internal control. Institutional theory emerges as a strong explanatory framework for understanding the efficiency of internal audits, highlighting the significance of factors such as the competence of internal audit staff and their interaction with audit committees.

Looking ahead, future research should delve deeper into the relationship between sustainability assurance and auditing practices, providing a more nuanced understanding of the quality of sustainability assurance. It is recommended to revise existing sustainability assurance standards to enhance professionalism and credibility in the assurance process. The involvement of stakeholders interested in improving the reliability and quality of sustainability assurances is crucial in this process. By considering broader aspects of assurance beyond economic and procedural elements, researchers can contribute to the development of comprehensive and effective assurance standards. Overall, this study contributes to the growing body of knowledge on sustainability and auditing practices, providing insights that can inform organizational decision-making and promote the adoption of sustainable practices in businesses worldwide.

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