

The Internal Auditing Procedures Effectiveness in the Jordanian Commercial Banks

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Abstract

This study aims at evaluating and investigating the effectiveness of the internal auditing procedures in the Jordanian commercial banks through evaluating auditing procedures used in the commercial banks in Jordan and evaluating the role of the board of directors in achieving this effectiveness. Moreover, this study aims at investigating the internal auditing program used in the banks to check the availability of the risk –based auditing program and sufficient degree of independence for the internal auditor in these banks.

The study's main hypothesis was: "the internal auditing procedures in the Jordanian commercial banks do not include the effectiveness of the internal auditing profession" and there were other four sub-hypotheses. The descriptive approach was used. A questionnaire consisted of 48 items was prepared and distributed to 130 internal auditors in the commercial banks representing 248 internal auditors. Only 104 questionnaires were valid for analysis out of 120 questionnaires that were retrieved.

Data were collected and analyzed statistically. Results revealed that the internal auditing program used in the commercial banks included procedures that achieve internal auditing procedures and the role of the board of directors ensured the effectiveness of the internal auditing in the information technology. Additionally, results showed that the internal auditing program included risk based auditing program and the internal auditing procedures ensure the internal auditor's independence. The study recommended the necessity to enhance the current procedures followed in the internal auditing implementation for its effectiveness and the necessity to clarify the internal controls and its levels to ensure the success of the auditing program.

Keywords: audit, commercial banks, effectiveness, internal auditing procedures

1. Introduction

In view of the importance of the banking sector in the modern economy, the banks should be managed by specific system based on the bank's interest and other parties as well and to ensure this, laws that govern the structure of the board of directors were issued.. The guide of the institutional governance published by the Jordanian Central Bank includes six pillars related to the institutional governance commitment, board of directors' tasks, the board's committees, and control, relation between the shareholders, and transparency and disclosure.

The significance of the role of internal auditing and the auditing committee should be highlighted as one of the most important pillars of the institutional governance system in any bank. Auditing in the banks is an urgent need, because if any problem happens, a big number of people will be affected negatively as well as the national economy. The institutional governance concepts including guide of the Central Bank assured that the auditing committee should consist of independent and nonexecutive members of the board of directors who have scientific and practical experience. Furthermore, activating the role of the auditing committees has been ensured in addition to obtaining more authorities to get information from the executive management.

2. Significance of the Study

- 1- The focus on the effectiveness of the internal auditing procedures in the Jordanian commercial banks is one of the important issues that helps in facing challenges and risks encounter the commercial banks in terms of difficulties that cannot be controlled work organization, authorities distribution, responsibility accounting, bank assets protection, and providing reliable accounting data in decision making process.

- 2- Achievement of added value to the internal auditing activities as a result to its procedures' evaluation which affect positively the banks performance in addition to identifying risks facing the banks as a result of the bank's internal auditing procedures.
- 3- Highlighting the importance of the field study in the results, suggestions, and recommendations that represent the scientific framework which the banks can rely on for their planning and outlining the policies of the internal auditing procedures.
- 4- Raising the internal auditor's degree of awareness of independence that suits the requirements of the internal auditing procedures will enhance the concept of independence in the banks and consequently neutral auditing results will be achieved which in turn supports the reliability of the internal auditing.

3. Problem of the Study

Having an effective internal auditing program according to the international standards has become one of the most important factors in the banks' success and its effectiveness. Therefore, the internal auditing procedures should be implemented effectively to suit the necessary bases and requirements. And because there were many factors that are involved in implementing the internal auditing procedures as the auditing committee, using information technology, the independence of the internal auditor, and nature of the auditing program, a necessity has shown to study and evaluate the auditing procedures and check their effectiveness.

Accordingly, the following major question has been raised:

Do the internal auditing procedures applied in the Jordanian commercial banks ensure the effectiveness of the internal auditing?

This question has the following sub-questions:

- Does the internal auditing program include a set of executive procedures that achieve the internal auditing effectiveness?
- Does the board of directors check the procedures' implementation which is done by manager of the internal auditing, information technology auditors and operation management?
- Does the internal auditing program include the procedures of risks-based auditing including elements of the program, registration system, and guidance principles?
- Do the internal auditing procedures have independence in internal auditing implementation?

4. Objectives of the Study

- 1- To evaluate the internal auditing procedures applied in the commercial banks to ensure their commitment to the efficient procedures that achieve effectiveness in the internal auditing in the Jordanian commercial banks.
- 2- To evaluate the role of the board of directors to ensure of the effectiveness of the internal auditing in the Jordanian commercial banks.
- 3- To evaluate the internal auditing program to check the auditing based on risks that ensure achieving the effectiveness of the internal auditing in the Jordanian commercial banks.
- 4- To check the availability of the internal auditor's independence to achieve the effectiveness of the internal auditing in the Jordanian commercial banks.

5. Theoretical Framework

To be beneficial for the customers and users, the accounting information has to have some qualitative characteristics as suitability, reliability, appropriate timing and flexibility for comparison. The information showed direct and clear image about the status of the financial situation including the basic financial statements. Accordingly, there was a need for a third party with an independent opinion to confirm the validity of the operations done in the company and the fairness of presenting the financial statements. The third party works on the internal and external auditing with some differences in both concepts. Such auditing helps in narrowing the remoteness gap between the management, shareholders and other parties that rely on the financial statements prepared by the management (Thneibat, 2006).

Auditing provides a reasonable confirmation about the financial data in the financial statements and adds reliability to the financial data through reducing risks inherited in auditing profession which are resulted from the direct access to the financial data to check its validity.

5.1 Concept and Nature of Internal Auditing

Concepts and opinions about the nature of the internal auditing varied; some considered it a scientific technique or an organizational plan while others believe that it is an inevitable administrative profession and independent scientific activity. As internal auditing took place after the implementation process, finding out the mistakes and fraud in addition to controlling the accounting data become the main responsibilities of the internal auditor. In other words, the internal auditor has to verify the records' integrity and data and to maintain the company's assets'.

Definitions of internal auditing concept varied; the internal auditing committee in the American institute of banks management defines the internal auditing as: "it is a management profession based on independence evaluates the effectiveness, competency and accuracy of the control systems in the company and the quality of the current processes (Nono, 2009). While the French Institute of the internal auditors' definition is: "the internal auditing is a periodical test to the means and authorities which were put at the disposal of the management to control and guide the company independently.

It can be concluded that auditing in general is an organized process practiced by the internal and external auditors to collect appropriate evidences to ensure that data lack of any significant mistakes that affect the financial statements and the thus the external auditor expressed his neutral opinion independently about the reliability of at the financial statements.

5.2 Types of Internal Auditing

There are three types of internal auditing: (Abd-Samad, 2009).

5.2.1 Financial Internal Auditing

It is the auditing done by the external auditing or who expresses his opinion about the reliability of the financial data in the financial statements.

5.2.2 Operational Internal Auditing

The operational internal auditing which is the nontraditional field of the internal auditing appeared as a result for the development in the field of the internal auditing. The operational auditing is the comprehensive checking of the unit or the organization to evaluate its different systems, administrative control and operational performance according to specific method of measurement within the administrative goals so as to verify the operational processes' economy and effectiveness. This type of auditing examines and evaluates all the company's work to achieve the competency and the effectiveness in utilizing the available resources according to a plan prepared in advanced (Nono, 2009).

5.2.3 Special Assignments Auditing

In this type of auditing, the internal auditor does what the senior management asks him to do and this type of auditing agrees with the two previous types of auditing in terms of the style or the scope but differs in terms of timing because it happens suddenly. This type aims to reveal the fraud or corruption and carry out the investigations concerning this issue.

5.3 Internal Auditing Procedures

The standards of the internal auditing performance which were mentioned previously showed the internal auditor's responsibilities which indeed include a set of detailed procedures as it illustrated below (Abo-Sor'h,2010):

5.3.1 The Internal Auditor's Responsibilities

Preparation of the internal auditing task before starting the process of auditing, the internal auditor has to prepare in advance the tactical procedures so as to determine his priorities that are compatible with the company's goals and strategies. This step passes by two stages:

- The task: it is the authorization given by the higher management to the internal auditor to start auditing and this mission could be a written or a verbal document.
- Studying and planning the auditing mission: this stage is really important to have a successful auditing as the auditor needs to set a risks-based auditing plan to prioritize auditing and testing that suit the goals.

5.3.2 Internal Auditing Implementation

After auditing plan had been prepared taking into account the nature and the goals of the company and the

agreement on the tactical and strategic procedures of the internal auditing had been signed by the board of directors, higher management and the internal auditing department, the internal auditing passed by the following stages:

- First meeting: in this stage, a meeting is held between the team who is authorized to auditing and the principles in the department where auditing process will take place for the sake of field preparation.
- Auditing plan: auditing tasks were distributed to the members of the auditing team according to their qualifications and experience. The auditor can know more accurate details about his mission.
- Field work procedures: in this stage, the auditing process started after the auditing plan had been approved by the auditing manager. The auditing team applied the plan through conducting tests and comparisons in order to gather sufficient and appropriate evidences to achieve the auditing's goals, and to reveal any problems may happen . In this stage , the auditing team has to document his work by providing official documents that enhance and support the procedures , results and recommendations of auditing process . Additionally, these documents protected the auditor in cases he was accused of carelessness.

5.3.3 The Auditing Report

Announcing the auditing report is one of the significant aspects of auditing process. The report's function is to send the auditing results to the parties interested in the process of auditing. In fact, the report has the following important tasks :(Abd Rabo, 2010):

- 1) It summarizes auditing evidences.
- 2) It publishes and provides information: the report provides the company with a summary of the fields that need improvement. It is also used as a tool to evaluate performance.

5.4 Effectiveness of the Internal Auditing Procedures

The internal auditing profession is one of the services jobs that is organized and operated basically for managing or starting the auditing processes according to the professional standards of the internal auditing systems including the operational control and the applications of the automation data.

Factors that lead to the effectiveness of the internal auditing process are:

- 1- Identifying the internal auditing goals: the internal auditing effectiveness requires practical and clear goals that suit the company's goals in general. The internal auditor has to be aware of auditing assignment that he has to do and discuss them with the workers in different levels and the company' internal auditing management in the company. Therefore, there will be no contradiction in the responsibilities and auditing effectiveness will increase.
- 2- Auditing program: to have efficient internal auditing process, there should be an auditing program to ensure the competency and the effectiveness of the auditing process.
- 3- Implementation of auditing procedures by an efficient auditing team: the following procedures should be taken into account to implement the effective auditing procedures.
 - Conducting a previous study before starting the auditing process. It is necessary to identify the factors that enhance the effectiveness of the auditing process. These factors include knowledge of the company's external environment, its nature of activity, organizational structure, jobs' description, budget examination, financial center and studying old internal auditing reports.
 - Preparing a work program taking into account the ability to shed light on all the processes which provide the auditors with a frame work. Moreover, an investigation is done to evaluate the internal control system.
 - Bookkeeping document: the file has to have permanent informative on for auditing process, statistics of the achieved work and a description of the internal auditing major points.
- 4- Preparing qualitative reports periodically to judge the workers in the company or the members of the auditing team and to follow the plans', recommendations' and suggestions' implementation.
- 5- Providing independence to the internal auditor based on the organizational situation and objectivity so as to do his work properly.

The goal of the auditing is to ensure the company's management's procedures and administrative control are insufficient and the internal auditors need to check if these procedures succeeded in achieving the company's goals (Rahallah, 2005).

6. Previous Studies

The study of Najem(2013) aimed at identifying the significant role of the internal auditing and the institutional control's role in improving the performance. Additionally, the study aimed to describe comprehensively the role of the internal auditor in the institutional control structure. The sample of the study consisted of 33 accountants and auditors in the operating banks in the private sector in addition to the firms listed in the Iraqi stock market. Results showed that the internal auditor in the banks and the Iraqi financial institutions does not have an effective role in the institutional control. Results also revealed that the Iraq laws did not point to the institutional control especially in the laws of capital, investment and the Joint-stock companies as well as the criteria of accounting, auditing and others. The study recommended the necessity to have the laws and related regulations with the Iraqi companies to cope with internal systems and the institutional control practices and the necessity to have periodic evaluation of these companies to find out their commitment's degree of the governance principles.

Al-Abdali's study (2012) aimed at measuring the effect of applying the institutional governance in the internal auditing quality in the industrial companies listed in Kuwaiti stock market. The sample of the study which consisted of 114 financial managers, accounting department's heads, internal auditing managers and the workers in the internal auditing and accounting departments represented all the industrial companies listed in Kuwaiti Stock Exchange. Results showed that governance represented the appropriate procedures and practices which work according to strict rules and criterion that aims to ensure that there is no contradiction between the company's strategic goals and its management work in achieving these goals through motivating the management positively to act according to the acceptable ethics in the businesses field.

The study of Zreigat (2011) aimed to examine the effect of the institutional governance guide's regulations issued by the Jordanian Central Bank in improving the quality of the internal auditing in the Jordanian banks by relying on the influence of the components of this guide which are set by internal auditor's institute. Questionnaire was designed and distributed into the workers in the internal auditing management in the Jordanian banks regardless of their titles to reveal the effect of the governance guide in the internal auditing components. Results showed statistical significant role of the institutional governance guide in improving the internal auditing quality in the Jordanian banks represented by the increase of the commitment of the internal auditing ethics as well as the internal auditing criteria in addition to the development in the internal auditing professional performance and the improvement of the internal auditing methods and practices. Based on the results, the study recommended the necessity to adopt this guide.

The study of Fareda & Meftah (2010) aimed at illustrating the risks facing the banks in general and the credit risk in particular. The researchers reviewed related literature to the risk banking, internal auditing management's role in discovering these risks. Results showed that the auditor's awareness of the banking risks and their effect on the financial and management aspects helps in achieving the effectiveness in the auditing the banks accounts. Accordingly, the auditor can evaluate the levels of risks and indentify the extent to which the internal auditing systems are reliable in addition to the nature and the appropriate time of auditing.

Hildani &Algaban (2010) conducted a field study aimed to identify the internal auditing and its techniques to reveal its contribution in achieving the banking security in light of electronic accounting information system. A questionnaire was prepared and sent to ten banks. Data were collected and analyzed statistically. Results showed revealed the necessity to have an effective internal control keeps with the latest development in the field of information technology so at to facilitate its integration with management and financial information systems. Moreover, there is a need to keep updating and improving the internal control to achieve its goals within time, effort and cost standards and to achieve the maximum degree of competency, and effectiveness.

The study of Al-Sharairi (2009) aimed to identify the risks affecting the internal auditing in light of the information technology and define the international criteria of auditing. The researcher designed a questionnaire as a tool for collecting data and distributed it into 70 workers in the internal auditing units in the Jordanian banks. The descriptive and analytic approach and the correlation coefficient were used. Results showed that the internal auditors in the banks used the necessary policies and procedures in the internal auditing processes in light of information technology with a high degree in the stage before purchasing and the internal auditors are aware enough of the internal criteria of the internal and external auditing.

Al-momani's study (2009) aimed at identifying the role of the board of directors in the Jordanian companies in enhancing the effectiveness of auditing committees through investigating the extent to which the board of directors respond to the recommendations of the auditing committee in the following fields: external auditing, internal control system, and financial statements preparation. A questionnaire was prepared and sent to 65 companies' board of directors. Results showed that board of directors increase the effectiveness of the auditing

committees with moderate degree in all fields. Additionally, results revealed that 1% of the board directors lack experience in the financial and accounting affairs.

In his study (2005), Rahahla identified the degree of the internal auditing performance effectiveness in the public and private universities in Jordan through identifying to degree the internal auditing departments in the Jordanian universities are committed to the standards published by the internal auditors institute in its work. It also aimed to identify the effect of the employees' personality in their commitment to the implementation of these standards. Results concluded that the universities are committed to the internal auditing standards. Also the factors concerning the sample of the study have no effect in the performance effectiveness because of homogeneity while the age of the university has an effect in the effectiveness of the internal auditing performance.

The study of KPMG (2014) aimed to explore the effect of the internal auditing job in the banks in UK. The analytic approach was adopted. The sample of the study consisted of a set of previous studies that addressed the issue of the internal auditing in the banks. Results showed the internal auditing positive effect in the commercial banks as it enhanced the Internal Control and therefore, it developed the activities. Furthermore, the internal auditing quality is improved as a result of its commitment to the international criteria. According to the study, it was clear that internal auditing suits the banks' performance.

The study of Badara & Saidin (2014) aimed at presenting previous empirical evidences concerning the internal auditing's risk management, internal control effectiveness, auditing experience and the internal and external auditors' corporation in Nigeria. A questionnaire was prepared and sent to a random sample consisted of 500 internal auditors, members of auditing committee and the local councils' representatives in Nigeria. Results showed that the previous evidences had positive and significant relationship with the internal auditing effectiveness. The study recommended that there is a need to conduct further studies about the effectiveness of the internal auditing.

The study of Al-Matari, Al-Swidi & Fadzil (2014) aimed at revealing the relationships between the internal auditing and the companies' performance through exploring the relationship between the internal auditing characteristics and the performance. The study adopted the analytic approach. Results revealed that the internal auditing department is considered a necessary element that helped in employing accounting systems in the companies for their significance at work evaluation. Additionally, results showed that the effectiveness of the internal auditing job developed the company's work regarding the preparation of financial reports with high quality because auditing is an important part in the institutional governance structure that supervised the control activities done by the board of directors and the auditing committees to ensure the reliability of the financial reports.

The study of Ondieki, Nancy M (2013) aimed at identifying the effect of the internal auditing in the commercial banks' financial performance from the perspective of the internal auditing standards, professional competency, internal control and independence of internal auditing in Kenya. The descriptive analytic approach was used. A questionnaire was developed and distributed to a sample consisted of the managers of the financial departments. Results showed positive relation between the commercial banks' financial performance and the internal auditing according to some dimensions. Moreover, results revealed that an increase in the use of the internal auditing standards and its independency in addition to existence of professional competency and internal auditing control cause a significant increase in the commercial banks' financial performance.

Kristo's study (2013) aimed to identify the effect of the internal auditing in protecting the banks' performance from complications and risks facing them. It also sought to find out if the auditors' perceptions towards the role of the internal auditing function add value to the banks and improve operations, thus help the organization to meet its goals. The study which was conducted in Albania used the descriptive analytic approach. A questionnaire was prepared and sent to the sample of the study. Results showed the necessity of the internal auditing in the Albanian banking.

The study of Owizy (2013) investigated the effect of the internal auditing activities in the Nigerian banks performance through identifying the effect of the internal auditing in the returns assets of banks. The study adopted the analytic approach. Results showed that internal auditing prevents any thefts and irregularities and it enhanced the commercial banks' internal auditing control in addition to evaluate the effectiveness of the banks' financial performance competency.

The study of the Shetwi; Ramadili; Chowdury & Sori (2011) explored the effect of the internal auditing function in the financial reports quality. The sample of the study comprised of all the Saudi companies listed in the Saudi stock market accepts the banks. The interview was used as an instrument for collecting data. Results showed that auditing function is a part of the institutional governance structure. Results also revealed lack of

statistical significant relation between the internal auditing function and the internal auditing and the quality of the financial reports attributed to some factors as insufficient procedures and legal practices of the institutional governance.

Salamh & authors' study (2011) aimed to highlight the importance of the internal auditing function in preventing fraud in the Jordanian banks and to propose some recommendations to facilitate the internal auditing function in preventing fraud. A questionnaire was developed and distributed to a sample consisted of executive and general managers from 15 Jordanian commercial banks. The descriptive approach was used. Results showed that the workers in the internal auditing departments in the Jordanian banks realized the efficient role of the internal auditing in preventing fraud. The study came with some recommendations as the necessity of training the internal auditors working in the banks about fraud and the internal auditing management should inform the senior management whenever it faces financial violations.

In their study (2011), Karagiorgos & Authors identified the factors that can improve the internal auditing performance in the Greek hotels and measured the internal auditing role in business success. Moreover, the study aimed to examine theoretically the importance of internal auditing. A questionnaire was distributed to a sample consisted of 85 hotels. Results revealed five standards that can improve the interaction between the internal auditing and the internal control; evaluation of internal auditing control, risk evaluation, control activities evaluation, assessing communication channels and control operations evaluation.

The study of Ntsiful (2011) analyzed the challenges facing the internal auditor in protecting his independence and objectivity through discussing the related challenges and the procedures to reduce these challenges. The study adopted the inductive, descriptive and analytic approaches. A questionnaire was prepared and sent to the workers at Malawi Bank. Results showed that independence and objectivity could be controlled to achieve real goals. Furthermore, results revealed the internal auditors' belief of the significance of the internal auditing standards in addition to their commitment to the local auditing standards. Also, results showed the auditors' perception of the challenges facing the auditors' objectivity and the independence.

In her study (2010), Rehana Fawazia compared the effect of different factors in the cooperation between the internal and external auditors in the foreign banks with the nationalized ones in Bangladesh. A questionnaire was prepared and sent to three foreign and nationalized banks each. The study adopted the descriptive approach. Results indicated that the co-operation between the internal and external auditors in the nationalized banks was better than that in the foreign banks.

The study of Koutoupis & Tsamis (2009) aimed to evaluate the effect of applying the internal auditing based risks in the internal auditing activities in the Greek banks in addition to the effect of the best practices in this field as Basel committee and COSO enterprise risk management (ERM). A questionnaire was prepared and distributed to a number of Greek banks. The study used the descriptive approach. Results showed that adopting risk based internal auditing improved and developed the internal auditing activities in the Greek banks.

In their study (2009), both C.Okafor & P.O Ibadin investigated the role of the internal auditing in evaluating the companies' performance in Nigeria. A questionnaire was distributed to 25 banks in Nigeria. Different statistical methods were used. Results showed that incentives given to the internal auditors increased the bank's performance effectiveness and the internal control system competency.

S.L Yee & Authors (2008) explored the managers' perceptions about the role and the effectiveness of the internal auditing in Singapore. Eighty three Singaporean managers who are internal auditing customers from 25 organizations (financial services, food services, oil companies, banks) were interviewed. Results revealed that most of the managers' attention was paid in the first degree to the financial and accounting issues followed by internal auditing profession.

6.1 Comment on the Previous Studies

The previous studies addressed the issue of the internal auditing, particularly, in the banks. Some of these studies discussed the role of the board of the directors in the effectiveness of the internal auditing while other studies discussed the role of the internal auditing committees in improving the competency of the internal auditing. The effectiveness of the internal auditing in the banks in the Jordanian universities was discussed as well.

It is worth mentioning here, that this study is different from those previous studies; it addressed the effectiveness of the internal auditing procedures in the Jordanian commercial banks through investigating different variables as the auditing program applied in the bank, the role of the board of the directors and the extent to which the banks adopted the program of auditing based risk.

7. Hypotheses of the Study

According to the content of theoretical framework and context of Jordanian commercial banks environment we developed one main hypothesis with four sub-hypothesis as follows:

Main hypothesis: the internal auditing procedures in the Jordanian commercial banks do not include the effectiveness of the internal auditing profession.

First sub-hypothesis: the auditing program does not include executive procedures achieve the effectiveness of the internal auditing in the Jordanian commercial banks.

Second sub-hypothesis: the board of directors' role does not include checking the effectiveness of the internal auditing procedures in information technology.

The following hypotheses were stemmed from the sub-hypotheses:

- 1) The role of the board of directors does not include checking the effectiveness of the procedures implemented by the manager of internal auditing.
- 2) The role of the board of directors does not include checking the effectiveness of the internal auditors' procedures of the information technology.
- 3) The role of the board of directors does not include checking the effectiveness of procedures concerning operation management.

Third sub-hypothesis: the internal auditing program does not include internal procedures based risks.

The following hypotheses were stemmed from the third sub-hypotheses:

- 1- The auditing program does not include factors that check the effectiveness of the auditing procedures in information technology.
- 2- The auditing program does not include risk registration system
- 3- The internal auditors do not prepare guidance principles for using evaluated tools of the risks.

Fourth sub-hypothesis: the internal auditing procedures do not include independence in implementing internal auditing tasks

8. Methodology

8.1 Approach of the Study

The study adopted the descriptive analytic approach to identify the effectiveness of the internal auditing procedures in the Jordanian commercial banks. The study adopted two resources for collecting data; secondary: the information that are available in the libraries and electronic databases and the primary resources as the questionnaire which was developed for the purpose of the study's goals.

8.2 Population & Sample of the Study

The population of the study consisted of 248 internal auditors in the commercial banks in Jordan while the sample of the study was 130 internal auditors. One hundred and twenty questionnaires which were retrieved out of 130 were valid for analysis. The study adopted the fifth Likert scale and the items were graded as follows: strongly agree (5) and strongly disagree (1). Additionally, the study adopted the following mean level for the respondents' answers: (Sekaran, 2003):

1-2.33	2.34-3.67	3.68-5
Low application degree	Moderate	High
application degree		application degree

8.3 Testing the Instrument's Reliability

The instrument's reliability was checked using Cronbach Alpha and because its value was higher than (-0.60) , it was considered statistically acceptable (Sekaran, 2003: 311) and the more the value is closer to 100% , the degree of the study's tool's reliability gets higher as it is illustrated in table 1.

Table 1. The tool's reliability coefficient and its dimensions

Study's tool and its dimensions	Reliability coefficient
Implementation procedures to ensure the internal auditing efficiency	75.87
Role of board of directors	70.56
Risk based auditing procedures	80.34
Independence of tasks implementation	68.09
Reliability	82.45

9. Analysis and Results

9.1 Demographic Data Analysis

Table 2. the demographic information of the sample summarized based on the valid responses

Variable	Statement	Number	Percentage%
First	Scientific Qualification		
	Diploma	1	.96
	Bachelor	95	91.34
	Master	6	5.77
Second	Doctorate	2	1.93
	Specialization		
	Accounting	98	94.22
	Finance and Bankin	3	2.9
Third	Business Administration	2	1.92
	Economy	1	.96
	Experience/ Years		
	Less than5 years	0	0
Fourth	5-10years	68	65.34
	10-15years	24	23.1
	More than 15 years	12	11.52
	Career Center		
Fifth	Prime audit team	74	71.15
	Senior Auditor	25	24.3
	auditor	3	2.9
	Auditor Assistant	2	1.92
Fifth	scientific certificates		
	ACPA	7	6.73
	JCPA	88	84.61
	CPA	8	7.7
	CFA	1	.96

9.2 Preliminary Results. Means, Standard Deviations, and Significance of All Items and Variables Are Presented in Table 3

Table 3. Means and standard deviations of the respondents' answers about the executive procedures that achieve the effectiveness of the internal auditing

N	Item	M	Std	Relevant significance	Level
1	Implementation procedures to ensure internal auditing efficiency	4.1827	.60763	1	High
2	Role of the board of directors	3.9087	.51087	3	High
3	Risk based auditing procedures	4.000	.60339	2	High
4	Implementation independency	4.000	.60339	2	High
	Total	4.0021			High

9.3 Testing the Study's Hypotheses

9.3.1 Testing the First Hypothesis

The first hypothesis: "The auditing program does not include a set of implementation procedures achieve the internal auditing effectiveness in the commercial banks was checked using T test. As it is illustrated in table (4), results showed that T value was higher than its tabulated value and therefore the second hypothesis and its sub-hypotheses were rejected.

Table 4. Results of T test of the first hypothesis and its sub-hypotheses from the respondents' perspective

Hypothesis	T	FD	Sig.	Result
The auditing program does not include a set of implementation procedures achieve the internal auditing effectiveness in the commercial banks	103	69.360	0.000	Rejection

The auditing program does not include a set of implementation procedures achieve the internal auditing effectiveness in the commercial banks

9.3.2 Testing the Second Hypothesis

The second hypothesis: “board of directors’ role does not include checking the effectiveness of internal auditing procedures in the information technology”, was checked using T test. As it is illustrated in table (5), results showed that T value was higher than its tabulated value and therefore the second hypothesis and its sub-hypotheses were rejected.

Table 5. Results of T test of the second hypothesis and its sub-hypotheses from the respondents’ perspective

Hypothesis	T	Fd	Sig.	Result
The role of the board of directors does not include checking the effectiveness of the internal auditing manager’s procedures	85.433	103	0.000	Rejection
The role of the board of directors does not include checking the effectiveness of procedures of the internal auditors.	67.986	103	0.000	Rejection
Role of the board of directors does not include checking the effectiveness of the operation management procedures	38.564	103	0.000	Rejection

9.3.3 Testing the Third Hypothesis

The second hypothesis: “internal auditing program does not include procedures of risk based auditing”, was checked using T test. As it is illustrated in table (6), results showed that T value was higher than its tabulated value and therefore the second hypothesis and its sub-hypotheses were rejected.

Table 6. Results of T test of the third hypothesis and its sub-hypotheses from the respondents’ perspective

Hypothesis	T	FD	Sig.	Result
The auditing program does not include the factors that achieve the effectiveness of the internal auditing procedures in the information technology.	62.993	103	0.000	Rejection
The auditing program does not include risk register system	62.693	103	0.000	Rejection
The internal auditors do not prepare guidance principles for using risk evaluation tools.	53.123	103	0.000	Rejection

9.3.4 Testing the Fourth Hypothesis

The fourth hypothesis: “internal auditing procedures do not have independency in internal auditing tasks implementation”, was checked using T test. As it is illustrated in table (7), results showed that T value was higher than its tabulated value and therefore the second hypothesis and its sub-hypotheses were rejected.

Table 7. Results of T test of the fourth hypothesis and its sub-hypotheses from the respondents’ perspective

Hypothesis	T	fd	Sig.	Result
In implementing the internal auditing, procedures of internal auditing do not have independency.	70.477	103	0.000	Rejection

10. Discussion & Recommendations

10.1 Discussion

The banks participated in the auditing program that includes a set of executive procedures achieved the internal auditing efficiently and this showed the banks’ interest in providing such procedures; announcing them, clarifying them as well regardless the banks’ possession of internal auditors who understand well these procedures and be commitment to them.

Although of the clarity and distinguished role which the board of directors practice in achieving the procedures’ effectiveness implemented by the auditing managers and the effective procedures followed by the internal auditing employees, this role lacks shortage in checking procedures of operation management. This result may due to the board of directors’ belief that the checking the managers’ and employees’ procedures affect positively operation management and its procedures.

Auditing programs in the banks include the factors that achieve the effectiveness of the auditing procedures as identifying the institution’s data, application systems and the technology operation.

The banks’ auditing programs include a risk register system that documents information security system and the possible financial impact of the activities and businesses but it cannot identify and document the competencies of the internal controls.

The auditors in the banks keen to provide guidance principles concerning using the risks evaluation tools that contribute to the effectiveness of the internal auditing process such as identifying the time span to the processes of risks processes in every department and for every activity in addition to providing guidance, instructions and requirements of supporting the reports.

The internal auditing procedures are characterized by independent implementation of the internal auditing tasks which indicated the banks' management belief in this dependency for its benefits as well as the legal and legislative aspects in the banks work that assured the internal auditing tasks implementation's independence.

10.2 Recommendations

Recommendations for Jordanian commercial banks management include Enhancing the current procedures followed in implementing the internal auditing for its effectiveness. The board of directors needs to pay much attention to the verification of the effectiveness of the procedures followed in operation management. Working on clarifying the internal controls and its required levels to ensure the success of the auditing program and accordingly to achieve the effectiveness of the internal auditing procedures. There is a necessity to provide guidance principles that cover other aspect rather than the use of the risks evaluation tools as identifying the maximum time span which is needed for the auditing based risks course. Encouraging the scholars to study other factors affect the effectiveness of the internal auditing. Regardless the auditors' interest in providing guidance Principles to use tools for evaluating the risks, there is still a necessity to provide other guidance principles covering other aspects as the determination of the time length needed for risk –based auditing course.

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