THE INDEPENDENCE OF THE INTERNAL AUDIT AND ITS POSSIBLE SAFEGUARDS: AN EMPIRICAL STUDY USING THE DELPHI METHOD.

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SUMMARY

This paper presents a frame of reference regarding the safeguard policies that agents should use to ensure independence in the internal audit function of their companies (IAF). On the one hand, a series of safeguards is proposed based on the recommendations and standards proposed by the Institute of Internal Auditors (IIA), the Bank for International Settlements (BIS), the American Institute of Certified Public Accountants (AICPA) and the literature reviewed, and on the other hand the Delphi method is used to consider the importance that certain experts attribute to these safeguards. The main contribution of this study, therefore, is to provide a series of safeguards ordered according to the level of importance attributed by the experts. It is also the first work to tackle the objectivity of the internal auditor from the side of the safeguards and not from the side of the conflicts of interest.

KEY WORDS: Independence, Safeguard, Internal Audit, Delphi Method.

1. Introduction.

This paper presents a frame of reference regarding the safeguard policies that agents should use to ensure independence in the internal audit function of their companies (IAF).

Our objective on the one hand is to propose a series of safeguards based on the recommendations and standards proposed by the Institute of Internal Auditors (IIA), the Bank for International Settlements (BIS), the American Institute of Certified Public Accountants (AICPA) and the literature reviewed, and on the other hand to consider, by means of the Delphi method, the importance that certain experts attribute to these safeguards.

The main contribution of this study, therefore, is to provide a series of safeguards ordered according to the level of importance attributed by the experts. It is also the first work to tackle the objectivity of the internal auditor from the side of the safeguards and not from the side of the conflicts of interest.

In this way, the work is structured firstly by analysing the theoretical background to our research (both its conceptual framework and the review of the literature). The third section analyses the methodology used in our empirical study. The fourth section shows the results obtained, and ends with the conclusions obtained and contributions to the study.

2. Blanckground.

2.1. Conceptual framework.

In recent years, the number of financial scandals has increased the need to ensure suitable mechanisms with which to control corporate governance. Furthermore, the increase in volume of companies, their geographic spread and the complexity of the business world make it increasingly difficult for managers to ensure direct control of business operations. Faced with these questions, the IAF enjoys a privileged position within the organisation that allows it to be of valuable help in ensuring good corporate governance (Dwight, 1994; Rittenberg et al., 1999; Mutchler et al,. 2001; Ridley, 2001; Drexler, 2003; KPMG, 2004; Coram et al., 2006; Arcenegui and Molina, 2007). However, if this function is not independent when carrying out its work, it will not achieve its purpose (Cadmus, 1964; Taylor and Glezen, 1987; Chambers and Ridley, 1998). For this reason, it is essential for the agents involved (internal auditors, internal audit departments and organisation) to be able to ensure the existence of independence within the function and to articulate the mechanisms needed to achieve it.

Following IIA standards (IIA, 2011), IAF independence is achieved through the organisational status and the objectivity of the internal auditor. The existence is thus observed of two pillars on which the independence of this function rests: the organisational independence of the IAF and the objectivity of the internal auditor. The aim of this article is to propose a series of safeguards to ensure the existence of these two pillars.

<u>Organisational independence</u> refers to being free of conditions that threaten the ability of internal auditing or the internal audit director to perform their duties in a neutral way.

Standard 1110, concerning Organisational Independence (IIA, 2011), states that the chief audit executive must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The IAF should be free of pressure from senior management, and the audit committee is an important vehicle to increase the organisational status and independence of the function (Scarbrough et al., 1998).

In this way, to achieve said freedom to act within the organisation, once the standards of the IIA (2011), the recommendations of the BIS (BIS, 2001) and the AICPA (AICPA, 1997), the literature consulted and the different interviews held with internal auditors have been analysed, the following safeguards for organisational independence can be proposed:

- **Organisational dependence:** If the IAF were not at a high level within the business structure, its independence could not be guaranteed. The IIA considers an ideal situation to be where it depends administratively on the chief executive, but functionally on the auditing committee, the board of directors or some other appropriate authority of governance (IIA, 2011; KPMG, 2004; De Andrés, 2001), depending, therefore, on non-executive bodies.

- **Independence from auditing activities and internal control systems:** The internal auditing department must not intervene in the organisations operations or in the election or implementation of internal control measures. Otherwise, it would have to assume responsibility for these activities, which could affect its independence of judgement (Church and Schneider, 1992). On the other hand, internal auditors performing occasional tasks not related to auditing need not affect their independence, provided said tasks are clearly stated in the report. However, in these cases special consideration will be required by the management and the internal auditor to ensure the internal auditor's objectivity is not adversely affected (IIA, 2011).

- **Internal audit statute:** Following IIA standards (IIA, 2011), the statute for internal audit activity is a formal written document that defines the objective, authority and responsibility of internal auditing. The statute should reflect the senior management's support of the IAF and be provided to all members of staff in the organisation. When the audit committee includes in the statute best practices for the IAF, both groups can benefit from it (Bailey, 2007; Van Peursem, 2005; Carcello et al., 2002; Chambers and Ridley, 1998).

- **Hiring and firing the internal auditor by the audit committee:** The authority to hire and fire the internal auditor is a key point in corporate governance and in preventing fraudulent financial reports.[1] IIA standards recommend the audit committee being involved in the decisions to hire and fire internal auditors (IIA, 2011; Price Water House Coopers, 2000; Sawyer, 1996), with the aim of preventing such decisions being solely in the hands of people who are audited by them.

- **Reviewing the quality of internal audit work:** Internal audit departments should be subjected to independent reviews of the quality of their services. These reviews may be carried out by an independent

[1] IIA (2011); Obeid (2010); Bailey (2007a); Bailey (2007b); Mat Zain et al. (2006); James (2004); SEC (2004); Bariff (2003); Goodwin (2003); IIA Research Foundation (2003); Paape et al. (2003); Goodwin and Yeo (2001); Price Water House Coopers (2000); Scarbrough et al, (1998); Sawyer (1996); McHugh and Raghunandan (1994).

party, such as an external auditor, or by the audit committee (Basel Committee on Banking Supervision, 2001).

- **Meetings of audit committees, boards of directors or other appropriate governance authorities:** The Blue Ribbon Committee (1999) suggested that it is essential for formal mechanisms to exist to facilitate confidential exchanges, with the Treadway Commission (1987) and the IIA (1993) also emphasising the importance of such private meetings between both parties. According to the IIA (1993), these meetings should be held at least four times a year.

On the other hand, the objectivity of the internal auditor is defined as having an independent mental attitude, which allows internal auditors to carry out their work with honest trust in the product of their labour and without compromising its quality in any significant way. Objectivity requires the judgement of internal auditors not to be subordinate to that of other audit issues.

In order to ensure the existence of objectivity among internal auditors, we set out the various safeguards extracted from the standards of the IIA (2011), the recommendations of the BIS (BIS, 2001) and the AICPA (AICPA, 1997), the literature consulted (Bailey et al. (2003), among others) and the different interviews held with internal auditors:

- **Specifying conflicts of interest:** Internal auditors should avoid any situation that could create a conflict of interest in the performance of their internal audit work. In any case, if this situation were to occur or were expected to occur, the internal auditor should inform senior management of any existence of such a conflict or conflicts of interest by means of a written statement of responsibilities.

- **Rotating internal auditors in their duties:** The fact that the same auditor reviews the same activity over a prolonged period of time may lead to possible conflicts of interest arising. The IIA (IIA, 2011) and the BIS (Basel Committee on Banking Supervision, 2001) state that rotation may be possible provided that it is feasible, as in most cases the cost in time and money to carry it out is very high.

- **Operative responsibility in auditing activities (12 months):** Following standard 1130.A1 of the IIA (2011), internal auditors should abstain from assessing specific operations for which they have been previously responsible. It is assumed that there are limitations to objectivity if an auditor provides internal audit services for an activity for which said auditor has had responsibility during the previous year.

- **Strong organisational governance:** An environment of support between the internal audit department and the entire company that encourages enterprise and continual improvement may reduce the perceptions of failure associated with defects in recommendations, system implementation processes and other forms of advice. An important component of a support environment is the audit committee. A strong audit committee is crucial for ensuring the auditor’s objectivity and professionalism (Bailey et al., 2003).

- **Incentives:** As stated by Schneider (2003) and DeZoort et al. (2000), a system of rewards and a disciplinary process in both the internal audit department and the company can reduce any threats to objectivity.

• **<u>Use of Teams</u>:** A key aspect of objectivity lies in corroborating the assessments, judgements and decisions made by others. The use of teams, as well as individuals, can help to diffuse certain conflicts of interest.

• **<u>Elapsed of time/change of circumstances</u>:** The passage of time can reduce the appearance of threats when auditors assess their own recommendations made during a previous audit. It can also lead to changes in circumstances and in the staff of the area to be audited, which can also reduce or remove any potential threats.

• **<u>Internal consultations</u>:** In this case, auditors will endeavour to use their own initiative to control threats to their objectivity, when they know that a colleague or superior is going to ask them something.

• **<u>Hiring Practices</u>:** Making the right choice to ensure that potential employees do not have any conflict of interest that might threaten objectivity is the starting point for building an objective IAF.

• **<u>Training the internal auditor</u>:** Training provides objectivity. It can also help auditors to recognise potential threats to objectivity in such a way that they can be avoided or effectively controlled over time.

• **<u>Reviewing audit work before reporting the results (supervisions)</u>:** The IIA's 1120-1 standard on individual objectivity (IIA, 2011) recommends IAF results being reviewed before any reports are issued on the work carried out, for reasonable assurance that the work has been carried out objectively. According to Bailey et al. (2003), closed supervision of auditors and careful reviews of their work beyond normal reviewing may encourage them to develop objective audits by being responsible for the judgements that they make.

• **<u>Outsourcing the IAF</u>:** When internal resources cannot be used to control threats, resorting to an external service may help to ensure an objective judgement given in a specific circumstance. Outsourcing will require additional financial efforts and could lead to a climate of unease within the internal audit department, as the profession is reticent about such activity.

In order to guarantee the independence of the IAF, it is our understanding that agents should take an active role by promoting strategies or safeguards. In this way, studying these safeguards and the proposal of a frame of reference for internal auditors, internal audit departments and organisation in order to obtain and guarantee an independent function is crucial.

2.2. Reviewing the literature.

Despite the importance that the IIA standards give to the independence of the IAF, we observed the existence of very little either theoretical or empirical literature.

Empirical literature on organisational independence focuses mainly on the relationship between the audit committee and the internal audit. Specifically, they mainly analyse the following safeguards, making the following considerations:

As regards dependency within the business organisation, despite the recommendations of the IIA and others, such as the BIS, on answering to the audit committee, studies such as those by the IIA Research Foundation (2003), Bariff (2003), James (2003), Leung et al. (2004), Sarens and De Beelde (2004), Carcello et al. (2005), the Corporate Executive Board (2005), Van Peursem (2005), and Sarens and De Beelde (2006) show that today many internal audit departments, albeit fewer and fewer, continue to answer to executive bodies.

The number of encounters and its privacy is one of the most analysed questions in the relationship between the audit committee and the internal audit, and the recommendation of four meetings a year is not observed in all the cases analysed, as shown in the studies by Kalbers (1992), Goodwin and Yeo (2001), Raghunandan et al. (2001), Carcello et al. (2002), Paape et al. (2003), Carcello et al. (2005), Mat Zain and Subramaniam (2007), and Dickins and O'Reilly (2009).

Studies that focus on analysing the hiring, firing and remuneration of the internal auditor (Kalbers, 1992; Goodwin and Yeo, 2001; IIA Research Foundation, 2003; Bariff, 2003; Paape et al., 2003; Bailey, 2007; Christopher et al., 2009) maintain that committees are not the body that hire and fire internal auditors and establish their remuneration, but rather that this role is carried out by executive bodies, which could mean a lack of independence.

These three issues form part of the six safeguards for organisational independence that we propose, and as such we can observe that according to these studies, companies do not carry out these recommendations or standards. On the other hand, safeguards incorporated into our empirical analysis, such as the independence of audited activities and internal control systems, support from statutes, and reviews of the quality of internal auditing, are safeguards that until now have not been analysed in the research literature.

Empirical works in the objectivity of the internal auditor focus their analysis on situations in which conflicts of interest may arise that impair the objectivity of the internal auditor. Fundamentally, the most analysed factor is the existence of reward plans, seen by some as a conflict of interests and by others as a safeguard (Dezoort et al., 2000; Nash and Dale, 2001; Schneider, 2003). We did not observe any works that analyse whether the implementation of a safeguard to the objectivity of the internal auditor has a positive influence on obtaining this quality, as they focus on analysing any possible conflicts of interest, and are not concerned with analysing any possible policies to prevent such conflicts. In this sense, by focusing on the analysis of these policies, our research is a pioneer within the study of the objectivity of the internal auditor.

Finally, by way of a summary, it should be made clear that the results obtained in these empirical studies show the lack of monitoring that companies carry out of the practices and policies aimed at ensuring the independence and objectivity of the IAF, highlighting the possible lack of these such important qualities for the efficiency of this function, its internal controls and, therefore, good corporate governance.

3. Methodology.

The objective of this study is to produce a frame of reference regarding the safeguard policies, ordered by importance, that agents should use to ensure independence in the internal audit function. To determine the level of importance we used the prospective method known as "Delphi".[2]

In our case, the issue to be dealt with is the importance of the proposed safeguards, which was measured using a Likert scale from 1 to 5. Experts were grouped into two panels: internal auditors (13 in total) and

[2] Linstone & Turoff (1975) define the Delphi method as a way of structuring a group communication process that is affective when allowing a group of individuals (experts), as a whole, tackle a complex problem. As a result the process translates into a consultation of experts based on an iterative process, one that is anonymous and controlled, from which feedback is obtained through a series of rounds.

specialists (11 individuals with knowledge of auditing and internal control). The information was gathered by means of questionnaires emailed to the experts in the two necessary rounds, as the first round obtained a high consensus in the opinions of the individuals surveyed.

Within the Delphi analysis we put forward the following propositions, shaping out contrast analysis:

Proposition 1: *There is no concordance in the experts' answers:* With this initial proposition our aim is to observe the existence of consensus in the answers obtained from the individuals, both for the full panel of experts and separately for the internal auditors and the specialists. To contrast this proposition we used the relative interquartile range (RIR) Kendall's coefficient of concordance.

Proposition 2: *The two samples come from the same population:* With this second proposition our aim is to observe that opinion is not differentiated by belonging to one or the other panel of experts. In this way, the opinion of an expert could be conditioned by belonging to a group or by his or her own interest, which would mean non-objective answers. The statistical detection of sub-groups of opinion is tested using the Mann-Whitney U non-parametric statistical test.

Proposition 3: *There is no agreement in the responses between the first and second rounds:* Apart from consensus, it is essential to obtain stability in the answers by means of the two rounds of questioning carried out. This final proposition was put forward to analyse stability in the answers between the two rounds, with the aim of determining any change of opinion between the rounds. The contrast for this proposition is carried out using the RIR variation.

Apart from these contrasts, we also conduct a central tendency and dispersion level statistical analysis with the aim of observing the centrality of opinions, on the one hand, and dispersion in the answers obtained, on the other; the statistics used were the median, the standard deviation, quartiles (Q1, Q2 and Q3) and the interquartile range (IR).

4. Results.

4.1. Contrast Analysis Results of the Propositions Considered.

The concordance between the answers of the experts submitted to Delphi analysis was contained in proposition 1: *There is no concordance in the experts' answers.* Kendall's coefficient of concordance (Tables 1 and 2) applied to the answers obtained for organisational independence and for internal auditor objectivity in each group of experts separately and for all experts together, and in each round it gives a p-value of less than 5% in all cases. We can therefore state that the scores obtained in our Delphi analysis are concordant.

For the proposition contrast carried out to contrast the existence of opinion sub-groups (Proposition 2: *The two samples come from the same population*), following the second round, we can state that different opinions were only detected as a result of belonging to one group or the other for the safeguard "Outsourcing the internal audit function" (Tables 3 and 4).

In terms of the variation of opinion between the two rounds (Proposition 3: *There is no agreement in the responses between the first and second rounds*), the variation in RIR (Tables 5 and 6) reflect certain variations in the consensus of certain safeguards, although these variations are not significant, as they are small and there was already consensus in the first round, which was reaffirmed in the second. As a result we can state that there are no strong changes of opinion between the first and second rounds, and the slight modifications that occur translate into a higher degree of consensus.

4.2. Statistical Analysis Results

- Regarding the Organisational Independence Safeguards:

The results obtained in the statistical analysis of the organisational independence safeguards (Table 7) show that all the safeguards proposed achieved a mean level of importance of more than 3. "Independence of activities and internal control systems" was the highest-scoring safeguard. All the opinions were non-diverse except for the scores given to the safeguards "Hiring and firing internal auditors by non-executive bodies", according to the standard deviation and IR. These results are obtained with both the panel of internal auditors and the panel of specialists.

- Regarding the Internal Auditor Objectivity Safeguards:

As regards statistical analysis of the safeguards to objectivity (Table 8), there are two safeguards weighted with a low level of importance: "Elapsed of time and changing circumstances", and "Outsourcing the IAF"; in the latter case, the importance is even smaller for the internal auditors.

We cannot point to one single safeguard for objectivity as being given the highest score, as for the internal auditors the most important safeguard is that of "Supervision", and for the specialists it is "Hiring practices". The opinions of the panel of specialists are not dispersed. However, for the panel of internal auditors dispersion can be observed in the answers given for the safeguards "Specifying conflicts of interest"; "Strong organisational governance" and "Elapsed of time and changing circumstances".

5. Discussion.

The objective of our research was to propose a series of safeguards to take into account in order to ensure organisational independence of the IAF and the objectivity of the internal auditor, ordered according to the importance given them by the Delphi analysis experts. These safeguards are presented below in three levels as very important safeguards, important safeguards and safeguards that are of little or no importance; they are also listed in order of importance within each of these levels:

- **First-level safeguards:**

Very important safeguards
1. Independence from auditing activities and internal control systems.
2. Not auditing activities 12 months previously.
3. Hiring Practices.
4. Training for the internal auditor.
5. Supervision and review before issuing the report.
6. Depending on non-executive bodies.
7. Existence of auditing statutes that support the function.
8. Existence of use of teams.

- **Second-level safeguards:**

Important safeguards
1. Existence of incentives that motivate auditors to be objective.
2. Reviewing the quality of internal audit work.
3. Completing a statement of responsibilities when faced with a conflict of interests.
4. Existence of strong organisational governance.
5. Meetings with the audit committee.
6. Carrying out internal queries of auditing issues.
7. Hiring and firing the internal auditor by a non-executive body.
8. Rotating internal auditors in their duties.

- **Third-level safeguards:**

Safeguards with little or no importance
1. Elapsed of time and changing circumstances.
2. Outsourcing the IAF.

This classification gathers the opinions of our experts obtained in our Delphi study, with a concordance of 1 for a level of significance of 5%.

We have also determined that there are no different opinions as a result of belonging to one group of experts or the other as regards the importance of the safeguards. Different opinions were only detected for the safeguard “outsourcing the IAF”. This is due to reticence in the internal auditing profession to losing part or all of its remit. The group of internal auditors, therefore, considers this safeguard less important for ensuring objectivity than the group of specialists does.

We should point out the importance of this study as it deals with issues that up to now have received very little or no analysis in the research literature, given than as we have observed the empirical works on organisational independence focus mainly on the following issues: depending on the audit committee within the business hierarchy, meetings between the audit committee and the head of internal auditing, and the hiring and firing of the internal auditor by the committee, and the number of meetings. The results of most of the studies that focus on these issues maintain that a high number of organisations do not implement the recommendations made on dependency and on appointments and dismissals. In contrast, the number of meetings appears to be above the minimum number of four a year recommended by the IIA.

On the other hand, studies of internal auditor objectivity focus on the perspective of possible conflicts of interest that may impair this quality. In this sense, our study, by analysing possible strategies or safeguards to objectivity that might prevent or reduce possible conflicts of interest, is an advance in knowledge and a new contribution.

During this work various limitations have arisen, as follows:

1. Firstly, with regard to the subject matter, we must point out its sensibility. “Internal auditor” experts had to respond on aspects relating to their independence, and therefore relating to their professional ethics. This fact may have led to non-objective answers, or dissuaded auditors from taking part in the study.
2. Secondly, with regard to the variables used, safeguards exist that might not have been included in the analysis due to their lack of relevance, such as the safeguard “passing of time and changing circumstances”. Proof of this is the little importance attributed to it by the experts in the Delphi analysis. Although outsourcing gives similar results, it should be taken into account as an issue due to the controversial nature of it implementation.

We would therefore hope that future lines of research enrich and complete this work:

1. By analysing whether managerial discretion is influenced by the existence of a strong and independent internal audit function, such as an internal control mechanism as part of good corporate governance.
2. By conducting a comparative study between safeguards to independence of the internal audit function and safeguards to the independence of external auditing.
3. To study whether these proposed safeguards are implemented in companies by carrying out a field study for this purpose.

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APPENDIX: TABLES

TABLE 1: Kendall's coefficient of concordance (Organisational Independence)

	Full sample	Auditors sample	Specialists sample
N	20	12	8
Kendall's W	**0.303**	**0.301**	**0.361**
Chi-squared	36.328	21.653	17.342
gl	5	5	5
Asympt. sig.	**0.000**	**0.001**	**0.008**

TABLE 2: Kendall's coefficient of concordance (Objectivity of internal auditor)

	Full sample	Auditors sample	Specialists sample
N	20	12	8
Kendall's W	**0.488**	**0.527**	**0.515**
Chi-squared	107.322	69.623	45.280
gl	11	11	11
Asympt. sig.	**0.000**	**0.000**	**0.000**

TABLE 3: Mann-Whitney U tests: comparison between the two groups in Organisational Independence

Organisational Independence	Depend.	Indep. Activity.	Status.	Hiring and firing	Quality	Meetings
Mann-Whitney U	30.000	43.000	45.000	46.500	46.000	38.000
Asympt. sig. (bilateral)	0.140	0.630	0.806	0.904	0.863	0.360

TABLE 4: Mann-Whitney U tests: Comparison between the two groups in Objectivity

Objectivity	Specifying conflicts of interest	Rotation	Activ. 12 months	Strong organisatnl governance	Incentives	Use of teams
Mann-Whitney U	41.500	39.000	40.500	44.500	28.000	32.500
Asympt. sig. (bilateral)	0.587	0.449	0.514	0.775	0.103	0.138
Objectivity	**Elapsed of time and changing circs.**	**Internal consultations**	**Hiring practices**	**Training**	**Supervision**	**Outsourcing**
Mann-Whitney U	37.000	35.500	40.000	41.500	30.500	10.000
Asympt. sig. (bilateral)	0.367	0.295	0.495	0.579	0.139	**0.002**

TABLE 5: RIR variation following second round for organisational independence

Organisational independence	Full sample			Internal auditors			Specialists		
	1R	2R	VAR	1R	2R	VAR	1R	2R	VAR
Dependence	0.50	0.50	0.00	0.20	0.22	**0.02**	0.50	0.43	**-0.07**
Independence Activities	0.20	0.20	0.00	0.20	0.20	0.00	0.20	0.11	**-0.09**
Statutes	0.50	0.50	0.00	0.50	0.50	0.00	0.25	0.28	**0.03**
Hiring and firing	0.50	0.50	0.00	0.50	0.37	**-0.13**	0.25	0.43	0.18
Quality	0.33	0.33	0.00	0.33	0.50	**0.17**	0.33	0.28	**-0.05**
Meetings	0.33	0.33	0.00	0.33	0.33	0.00	0.33	0.17	**-0.16**

TABLE 6: RIR variation following second round for objectivity

Objectivity	Full sample			Internal auditors			Specialists		
	1R	2R	VAR	1R	2R	VAR	1R	2R	VAR
Specifying conflicts of interest	0.33	0.50	**0.17**	0.66	0.57	**-0.09**	0.33	0.33	0.00
Rotation	0.33	0.33	0.00	0.33	0.33	0.00	0.33	0.33	0.00
Activities 12 months	0.22	0.22	0.00	0.20	0.20	0.00	0.25	0.25	0.00
Strong organisational governance	0.25	0.25	0.00	0.50	0.50	0.00	0.25	0.25	0.00
Incentives	0.50	0.37	**-0.13**	0.25	0.25	0.00	0.30	0.33	**0.03**
Use of teams	0.00	0.00	0.00	0.25	0.25	0.00	0.00	0.00	0.00
Elapsed of time and changing circumstances	0.66	0.50	**-0.16**	1.00	0.80	**-0.20**	0.33	0.00	**-0.33**
Internal consultations	0.25	0.25	0.00	0.25	0.25	0.00	0.33	0.33	0.00
Hiring practices	0.25	0.25	0.00	0.25	0.25	0.00	0.20	0.22	**0.02**
Training	0.25	0.25	0.00	0.25	0.22	**-0.03**	0.25	0.25	0.00
Supervision	0.25	0.22	-**0.03**	0.20	0.20	0.00	0.25	0.50	**0.25**
Outsourcing	1.00	0.50	**-0.50**	1.00	1.00	0.00	0.33	0.40	**0.07**

TABLE 7: Descriptions for Organisational Independence Safeguards

Descriptions for full sample (N=20)	Mean	Stand. devtn	Min.	Max.	Q1	Q2 Median	Q3	RI	RIR
Dependence	4.10	**0.852**	3	5	3.00	4.00	5.00	2.00	**0.50**
Independence activities	4.65	**0.587**	3	5	4.00	5.00	5.00	**1.00**	**0.20**
Statutes	4.05	**0.826**	3	5	3.00	4.00	5.00	2.00	**0.50**
Hiring and firing	3.35	1.226	1	5	2.00	4.00	4.00	2.00	**0.50**
Quality	3.60	**0.754**	3	5	3.00	3.00	4.00	**1.00**	**0.33**
Meetings	3.45	**0.686**	3	5	3.00	3.00	4.00	**1.00**	**0.33**
Descriptions for auditors sample (N=12)	Mean	Stand. devtn	Min.	Max.	Q1	Q2 Median	Q3	RI	RIR
Dependence	4.33	**0.778**	3	5	4.00	4.50	5.00	**1.00**	**0.22**
Independence activities	4.58	**0.668**	3	5	4.00	5.00	5.00	**1.00**	**0.20**
Statutes	4.08	**0.900**	3	5	3.00	4.00	5.00	2.00	**0.50**
Hiring and firing	3.33	1.371	1	5	2.50	4.00	4.00	1.50	**0.37**
Quality	3.67	**0.888**	3	5	3.00	3.00	4.50	1.50	**0.50**
Meetings	3.58	**0.793**	3	5	3.00	3.00	4.00	**1.00**	**0.33**
Descriptions for specialists sample (N=8)	Mean	Stand. devtn	Min.	Max.	Q1	Q2 Median	Q3	RI	RIR
Dependence	3.75	**0.886**	3	5	3.00	3.50	4.50	1.50	**0.43**
Independence activities	4.75	**0.463**	4	5	4.50	4.50	5.00	**0.50**	**0.11**
Statutes	4.00	**0.756**	3	5	3.50	3.50	4.50	**1.00**	**0.28**
Hiring and firing	3.37	1.061	2	5	2.50	3.50	4.00	1.50	**0.43**
Quality	3.50	**0.534**	3	4	3.00	3.50	4.00	**1.00**	**0.28**
Meetings	3.25	**0.463**	3	4	3.00	3.00	3.50	**0.50**	**0.17**

TABLE 8: Description for Internal Auditor Objectivity Safeguards

Descriptions for full sample (N=20)	Mean	Stand. devtn	Min.	Max.	Q1	Q2 Median	Q3	RI	RIR
Specifying conflicts of interest	3.60	1.046	1	5	3.00	3.00	4.50	1.50	**0.50**
Rotation	3.10	**0.718**	2	4	3.00	3.00	4.00	**1.00**	**0.33**
Activities 12 months	4.45	**0.605**	3	5	4.00	4.50	5.00	**1.00**	**0.22**
Strong organisational governance	3.55	**0.999**	2	5	3.00	4.00	4.00	**1.00**	**0.25**
Incentives	3.85	**0.875**	2	5	3.00	4.00	4.50	1.50	**0.37**
Use of Teams	4.05	**0.686**	2	5	4.00	4.00	4.00	**0.00**	**0.00**
Elapsed of time and changing circumstances	2.85	**0.933**	1	4	2.00	3.00	3.50	1.50	**0.50**
Internal consultations	3.45	**0.825**	2	5	3.00	4.00	4.00	**1.00**	**0.25**
Hiring practices	4.35	**0.671**	3	5	4.00	4.00	5.00	**1.00**	**0.25**
Training	4.35	**0.671**	3	5	4.00	4.00	5.00	**1.00**	**0.25**
Supervision	4.35	**0.745**	3	5	4.00	4.50	5.00	**1.00**	**0.22**
Outsourcing	1.90	**0.852**	1	4	1.00	2.00	2.00	**1.00**	**0.50**
Descriptions for auditors sample (N=12)	Mean	Stand. devtn	Min.	Max.	Q1	Q2 Median	Q3	RI	RIR
Specifying conflicts of interest	3.67	1.231	1	5	3.00	3.50	5.00	2.00	0.57
Rotation	3.00	**0.738**	2	4	2.50	3.00	3.50	**1.00**	**0.33**
Activities 12 months	4.50	**0.674**	3	5	4.00	5.00	5.00	**1.00**	**0.20**
Strong organisational governance	3.58	1.164	2	5	2.50	4.00	4.50	2.00	**0.50**
Incentives	3.58	**0.793**	2	5	3.00	4.00	4.00	**1.00**	**0.25**
Use of teams	4.17	**0.835**	2	5	4.00	4.00	5.00	**1.00**	**0.25**
Elapsed of time and changing circumstances	2.67	1.155	1	4	2.00	2.50	4.00	2.00	0.80
Internal consultations	3.58	**0.900**	2	5	3.00	4.00	4.00	**1.00**	**0.25**
Hiring practices	4.25	**0.754**	3	5	4.00	4.00	5.00	**1.00**	**0.25**
Training	4.42	**0.668**	3	5	4.00	4.50	5.00	**1.00**	**0.22**
Supervision	4.58	**0.515**	4	5	4.00	5.00	5.00	**1.00**	**0.20**
Outsourcing	1.42	**0.515**	1	2	1.00	1.00	2.00	**1.00**	1.00
Descriptions for specialists sample (N=8)	Mean	Stand. devtn	Min.	Max.	Q1	Q2 Median	Q3	RI	RIR
Specifying conflicts of interest	3.50	**0.756**	3	5	3.00	3.00	4.00	**1.00**	**0.33**
Rotation	3.25	**0.707**	2	4	3.00	3.00	4.00	**1.00**	**0.33**
Activities 12 months	4.37	**0.517**	4	5	4.00	4.00	5.00	**1.00**	**0.25**
Strong organisational governance	3.50	**0.756**	2	4	3.00	4.00	4.00	**1.00**	**0.25**
Incentives	4.25	**0.886**	3	5	3.50	4.50	5.00	1.50	**0.33**
Use of teams	3.87	**0.353**	3	4	4.00	4.00	4.00	**0.00**	**0.00**
Elapsed of time and changing circumstances	3.12	**0.353**	3	4	3.00	3.00	3.00	**0.00**	**0.00**
Internal consultations	3.25	**0.707**	2	4	3.00	3.00	4.00	**1.00**	**0.33**
Hiring practices	4.50	**0.534**	4	5	4.00	4.50	5.00	**1.00**	**0.22**
Training	4.25	**0.707**	3	5	4.00	4.00	5.00	**1.00**	**0.25**
Supervision	4.00	**0.926**	3	5	3.00	4.00	5.00	2.00	**0.50**
Outsourcing	2.62	**0.744**	2	4	2.00	2.50	3.00	**1.00**	**0.40**