

ABSTRACT

This research paper examines the impacts of company specific factors on the adoption of risk based auditing by the auditors as well as to establish whether these factors and risk based auditing influence IA's responsiveness to risk management activities of their organization. In total, 5 company specific factors are identified for this research and they are i) size of the organisation; ii) the industry which the organisation is in; iii) the sector ie. public or private sector within which the organisation belongs; iv) the extent of internationalisation of the organisation and v) listing status of the organisation. Convenience sampling method was used to collect the data for this survey. A sample size of 200 was targeted with a 70% response rate achieved. Respondents to the survey ranged from audit assistants to chief audit executives and heads of internal audit department.

The findings of this study highlight the inclination to the adoption of risk based and control based approaches at macro and micro levels respectively as well as the importance of the regulatory requirements and business considerations in influencing both the RBA adoption by Malaysian companies as well as the responsiveness of IA in ERM activities. No significant associations were found between the company specific factors and adoption of risk based auditing at annual audit schedule planning (macro) level. At individual audit engagements (micro) level however, finance industry and sector, were found to statistically impact the risk based auditing adoption significantly. Only adoption of risk based auditing at macro level by internal auditor was found to have positively influence their responsiveness to ERM activities. It is expected that the prevalence of control paradigm amongst the organisations in Malaysia as noted in this study, would curtail internal auditing's contribution and involvement in ERM initiatives of their respective organisations.

The research also extended to examine the direct associations of these company specific factors with responsiveness to ERM activities by internal auditors. The results revealed that finance industry, listing status and internationalisation all have statistically significant negative association on these company specific factors. Size though statistically not significant, has a weak negative association on the IA's responsiveness to ERM. Company specific factor, sector however, was found to be statistically not significant in this respect. Internal auditors in these companies which quite often subject to resource constraints that include not having a separate department and personnel to lead ERM activities, are most likely be called upon to involve in many risk related initiatives and consulting activities by management.

This study provides a good insight on the determinants and reasons for the adoption of risk based auditing in practice and how it impacts the responsiveness of internal auditors to risk management activities. The findings should add value to the knowledge which the existing literatures in the area have amassed. Those stakeholders who are equipped with the knowledge gained from this study, should be more receptive when dealing with companies that have greater tendency to RBA and ERM practices. The knowledge and insights gained from this study should positively contribute to the understanding of the current internal auditing practices in Malaysia in this respect which the regulators and the likes of IIA should take stock when setting standards or providing effective guidance to IA practitioners when involving in ERM.

The findings in this study were deliberated and duly justified in Chapter 4 and Chapter 5.

DECLARATION

The materials in this thesis are original except for quotations, excerpts, summaries and references, which have been duly acknowledged

HOR PUEY WAI

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