

CHAPTER 4

RESULTS

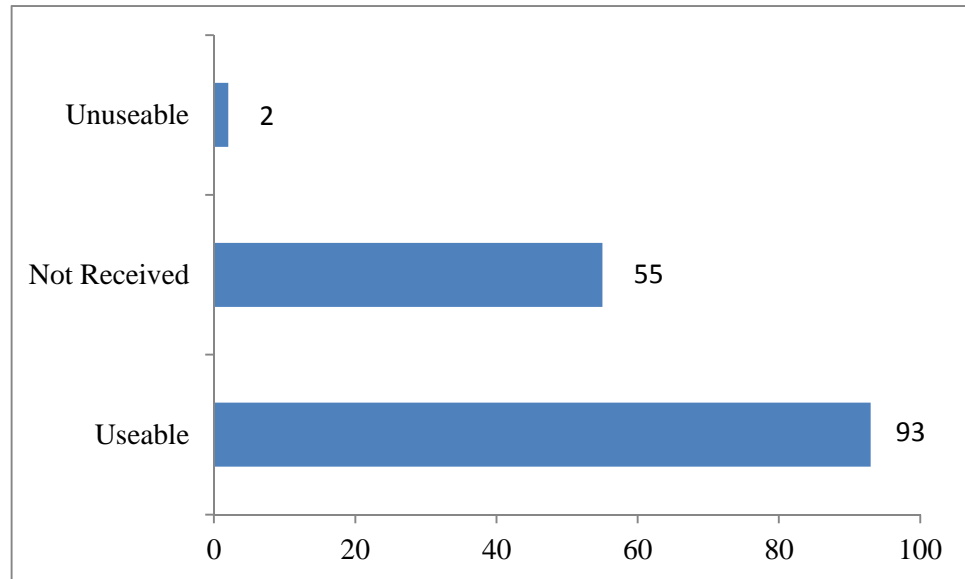
4.1 Introduction

This chapter provides the result of this study. The data from respondents were recorded, measured and summarised with statistical analyses. This chapter begin by presenting the profile of respondents, which is followed by presenting the respondents' point of views and respondents' opinions on professional judgment and the rank of objectivity factor. The next section in this chapter outlines the result on the rank-ordered of the reliance factors as well as the result on the associated relative importance factors. In the last section of this chapter, the implementation of the research result on Schneider's decision aid model is presented.

4.2 Profile of Respondents

150 sets of questionnaires were distributed by hand to 12 mid-sized international audit firms in Indonesia and collected back within two until three weeks. In result, 95 copies of the questionnaires were filled and returned of which 93 were usable and 2 were eliminated due to incomplete and error information such as missing the last page of the questionnaire and double tick marked on five-point Likert scale questions. Figure 2 presents the response rates from this study. Form the figure, it can be seen that the amount of returned questionnaires were 93 feedbacks or equal to 62 per cent of response rate.

Figure 2: Questionnaires response rates (n = 150)



As mentioned in the earlier chapter, in the last section of the questionnaire, respondents (external auditors) are required to fill the demographic information. Overall, the external auditors who were willing to participate in the study are working in medium-sized international private audit firms located in Indonesia.

Table 4 provides a summary of respondents' demographic information. In total, 93 questionnaire responses were selected and analysed. It can be seen from the table that the respondents participated in the study are in a wide range of ages which most of the respondents are below 34 years old. It was recorded that 47 respondents or 51 per cent of the participants are below 25 years old and 40 respondents or equal to 43 per cent of the sample in the age between 25 and 34 years old. From the Table 4, it also can be seen that only 6 participants (6 per cent from total feedback) in the age range from 35 to 44 and none of the sample 45 years old and above.

Table 4: Demographic characteristics of respondents ($n = 93$)

Descriptions	Characteristics				
	Male		Female		
Gender	57		36		
Age	Below 25	25 to 34	35 to 44	45 and Above	
	47	40	6	-	
Education	Diploma	Degree	Graduate	Others	
	3	79	11	-	
Professional Qualification	None	ACCA	CPA	CIA	Others
	71	2	11	1	8
Work Experience	Below 3	3 to 6	7 to 10	11 and Above	
	61	26	6	-	
Number of Clients with IA Function	None	Below 5	5 to 10	11 and Above	
	35	33	14	11	

From the educational characteristics, Table 4 has disclosed that from the 93 external auditors who participated in the questionnaires, 79 respondents or equal to 85 per cent of the samples are holding an academic degree certificates, meanwhile 11 respondents or nearly 12 per cent of the population are from post graduate educational level. From the sample there were 3 respondents with diploma certificates which reflecting apprenticeship program inside the audit firms.

A total of 71 participants or approximately 76 per cent of the external auditors who responded to the questionnaire have no professional qualification. Accounted 22 participants or equal to 24 per cent of the respondents hold a professional accounting and auditing qualification whereas 11 respondents qualified as Certified Public Accountants (CPA), 2 respondents has qualification from The Association of Chartered Certified Accountants (ACCA) and 1 participant qualified as Certified Internal Auditor (CIA). The 8 responders with “others” professional qualifications are represent the

participants with local accountant profession qualification from The Indonesian Institute of Accountants (IIA).

The majority of the responders, approximately 94 per cent participants have had individual work experience as external auditors between one to six years. From the sample, 61 participants or approximately 66 per cents has been worked as external auditors for one until three years, 26 responders or 28 per cent of responders claimed having three to six years of working experience and only six per cent have had work as external auditors for more than 7 years. None of the sample has worked as external auditor for 11 years or above.

In general, 2/3 of the respondents have had experience work with clients that have internal auditing function. It was counted that 33 participants or approximately 35 per cent of responders have had 4 (or less) clients with internal audit function, 14 respondents or nearly 15 per cent of the sample have had 5 to 10 clients with internal audit function, and 11 participants (equal to 12 per cent of total feedback) recorded have had at least 11 clients with internal audit function. The rest of the sample or 35 out of 93 of external auditors had never involved in audit assignment to clients with internal audit function. However, researcher remain included the questionnaire participants with no experience worked with client who have internal audit function by considering their professional point of views.

4.3 Respondents' Point of Views

The responses reflect the preferences of external auditors. Each statement is designed with rating mechanism to disclose the importance of three reliance factors that can be used by external auditors to assess internal auditors'. For each statement, a "strongly

agree” response reflects the highest score and a “strongly disagree” answers reflects the lowest score reached by the factors. Results of this research are obtained by analysing the data. Respondents’ point of views in the questionnaires are recorded and summarised based on the categories of the questions and presented in percentages of frequencies. The results of the study included the external auditors’ point of views on internal auditors’ competence, objectivity, work performance and the external auditors’ views on professional judgment, as follows:

4.3.1 Internal Auditors’ Competence

From the Table 5, it can be seen that most of the responses are being in the right side of the 5-points Likert-type scale. In summary, it reveals that 55.2 per cent of the external auditors felt “agree” that competence factors important for internal auditors and only 28.4 per cent of the external auditors “strongly agree” with the statements. It also can be seen that approximately 14.1 per cent of external auditors were in doubts that the internal auditors’ competence play the important role for external auditors. The result also revealed that there were only few of the responders felt the internal auditors’ competence as not important factor. Approximately 2.3 per cent of the sample stated “disagree” and “strongly disagree” with the questionnaire statements of internal auditors’ competence.

In detail, the result shows that from the external auditors’ point of views, to have “adequate educational background” is the most important competence factor for internal auditors with 4.28 of mean score and 0.68 of standard deviation (SD), followed by the “receive performance evaluations factor from superiors” with 4.23 of mean score (0.64 of SD), the “knowledge of the company’s operation, process and procedures” with 4.20

of mean score and a SD of 0.8, the “policies, programs and procedures” and “assignment practices” with 4.14 of mean scores and SD of 0.71 and 0.63, respectively.

Interestingly, Internal auditors’ “professional qualification” and “professional experience” considered as the least important for external auditors with the mean scores of 3.88 and 3.92, respectively. The low mean scores for both factors also reflected by the numbers of respondents (approximately 5 per cent for each factor) who felt “disagree” and “strongly disagree” with the statements and also reflected by the high “moderately agree” responses for internal auditors’ “professional qualification” and “professional experience” with 26.9 per cent and 19.4 per cent, respectively.

In the bottom line, the Table 5 shows that the mean score for the competence factors is approximately 4.09. This final score tells that responders were averagely “agree” that internal auditors’ competence considered as important factor for external auditors in evaluating internal auditors’ work. Internal audit function supported by staffs with adequate educational backgrounds and proper performance evaluation system are considered as the most preferable for external auditors to put reliance on internal auditors’ work. Meanwhile, internal audit staffs with professional certification and experience were considered as the least important factors for external auditors in assessing client’s internal audit function.

Table 5: Results on internal auditors' competence

Statements	Frequency of Scores					M	SD	Rank
	1 %	2 %	3 %	4 %	5 %			
Internal auditors' competence from the external auditors' point of view:								
Internal auditors should have adequate educational backgrounds	-	-	12.9	46.2	40.9	4.28	0.68	1
Satisfactory practices for hiring and training internal auditors are crucial	-	-	19.4	64.5	16.1	3.97	0.59	8
To provide with continuing education is important for internal auditors	-	2.2	17.2	53.8	26.9	4.05	0.72	7
Internal auditors should have adequate professional experience	1.1	3.2	26.9	39.8	29.0	3.92	0.88	9
To have professional certification is important for internal auditors	1.1	4.3	19.4	55.9	19.4	3.88	0.80	10
Internal audit function should have appropriate policies, programs, and procedures	-	3.2	9.7	57.0	30.1	4.14	0.71	4
Internal auditors should be adequately instructed and supervised	-	1.1	11.8	62.4	24.7	4.11	0.63	6
Internal auditors should know the company's operations, processes, and procedures	1.1	2.2	10.8	47.3	38.7	4.20	0.80	3
Internal audit function should have effective and efficient assignment practises	-	1.1	10.8	61.3	26.9	4.14	0.63	5
Internal auditors should receive performance evaluations from their superiors	-	3.2	2.2	63.4	31.2	4.23	0.64	2
Summary	0.3	2.0	14.1	55.2	28.4	4.09		

4.3.2 Internal Auditors' Objectivity

Table 6 suggests the preferences given by external auditors regarding objectivity factors. In general, the result of the questionnaire reveals that majority of the external auditors “agree” and “strongly agree” with the statements. Approximately 85.1 per cent of external auditors “agree” and “strongly agree” that objectivity is important for internal auditors. However, nearly 12.2% of respondents included in this study placed moderate rate responses for the factors, suggesting that there is some a low level of agreement for some part of participants in decided the important level of objectivity factors. There is only 2.7 per cent of the participants felt “disagree” and “strongly disagree” with statements on importance of internal auditors' objectivity.

Individually, the aspects of “top management support” is recorded as the highest mean score with 4.33 and 0.70 of SD score followed by the “complete access to documents and individuals” with 4.22 of mean score (0.68 of SD score) and the “direct and unrestricted access to the audit committee” with 4.20 of mean score (0.65 of SD score). Generally, the “unrestricted access to all auditing areas”, “free of censorship by management” and “policies for compensation arrangements” also considered as importance aspects of internal auditors' objectivity since the result for each aspect were not less than 4 of mean score (4.17, 4.09 and 4.00 of mean scores with 0.70, 0.76 and 0.74 of SD scores, respectively). From all the statements on internal auditors' objectivity questionnaires, there is only one statement gained less than 4 of mean score. The “staff members should periodically rotate” aspect has 3.93 of mean score with 0.08 SD score. This recorded as the least important aspect on internal auditors' objectivity from the view of external auditors.

In detail, it needs to be highlighted that only 4.3 per cent of the sample has doubted the “top management support” as important aspect of internal auditors’ objectivity which as much as 92.8 per cent of responders placed the “agree” and “strongly agree” to the questionnaire statement. The similar result also can be seen on the “unrestricted access to all auditing areas” where only 8.7 per cent of respondents unsure about the important of the aspect on assessing internal auditors’ objectivity. Most of participants of the questionnaire (88.4 per cent) were “agree” and “strongly agree” that internal auditors need to have unrestricted access to all auditing areas. Moreover, it also need to be underlined that the “staff members should periodically rotate” and the “policies for compensation arrangements” statements suggested by responders as “strongly agree” by only 21.7 and 23.2 per cent of the sample, respectively. This results contrast with the “top management support” which considered as highly important aspect as it gained “strongly agree” responses for nearly 43.5 per cent.

In summary, the mean score of objectivity factors provided in this study is approximately 4.13 out of 5 of mean score. The “top management support” has reached the most important aspect and “staff members should periodically rotate” as the least important aspect on assessing internal auditors’ objectivity. Most of the aspects of internal auditors’ objectivity has resulted more than 4 of mean scores except one aspect which only gained less than 4 of mean score.

Table 6: Results on internal auditors' objectivity

Statements	Frequency of Scores					M	SD	Rank
	1 %	2 %	3 %	4 %	5 %			
Internal auditors' objectivity from the external auditors' point of view:								
Internal auditors should have unrestricted access to all auditing areas	-	2.9	8.7	56.5	31.9	4.17	0.70	4
Chief of Internal auditors should have direct and unrestricted access to the audit committee	-	-	13.0	53.6	33.3	4.20	0.65	3
Internal audit reports should free of censorship by management	-	2.9	15.9	50.7	30.4	4.09	0.76	5
Internal auditors should have complete access to documents and individuals	-	1.4	10.1	53.6	34.8	4.22	0.68	2
Top management support is important for the internal audit function	-	2.9	4.3	49.3	43.5	4.33	0.70	1
Internal audit staff members should periodically rotate	1.4	2.9	18.8	55.1	21.7	3.93	0.80	7
Policies for compensation arrangements are important for internal auditors	-	4.3	14.5	58.0	23.2	4.00	0.74	6
Summary	0.2	2.5	12.2	53.8	31.3	4.13		

4.3.3 Internal Auditors' Work Performance

Ten statements are used to assess the internal auditors' work performance. Table 7 shows the results on external auditors' point of views regarding the work performance of internal auditors. As seen from the table, the level of agreement for the whole statements is considered high with approximately 91.3 per cent of the respondents felt that the work performance factors as importance for internal auditors. The positive responses were consisted with 57.5 per cent of "agree" responses and 33.8 per cent of "strongly agree" responses

The highly agreements with the statements also can be seen from the average score of the factors in the table, which range from 4.06 to 4.38 with the lowest mean score recorded by the statement of the "timing and the period covered by the test" (0.62 of SD) and the highest mean score by the statement of the "conclusions should be supported with adequate working paper documentation" (0.52 of SD).

Individually, the "appropriate conclusions" reached the highest percentages of responders which gained "agree" and "strongly agree" responses approximately 97.8 per cent, followed by the "internal audit work plan" with 95.7 per cent of responders and the "conclusions should be supported with adequate working papers documentations" with 94.6 per cent of the sample. The table also shows that the "internal auditors' tests should well designed in order to address the test objectives" has reached the highest "moderately agree" responses with 14.0 per cent, followed by "the timing and the period covered by the tests" and "the tests perform should be as planned and expanded where necessary" which shared the same percentages with 12.9 per cent.

It should be noted that there were only 1.0 per cent of the respondents “disagreed” with the questionnaire statements and interestingly none of the participants felt “strongly disagree” that the aspects were importance to evaluate internal auditors’ work performance. From the “disagree” responses, the “internal audit reports should thorough and of high quality” has reached the highest percentage with 3.2 per cent compared with the rest of the aspects which only reached 1.1 per cent and even with zero responses. In average, the “moderately agree” responses only reached 7.7 per cent from total sample. This revealed that responders who felt the internal auditors’ work performance as not important or unsure about the importance of the factors were only 8.7 per cent.

In summary, from the views of external auditors, work performance are considered as importance factors for internal auditors as the average mean score reached 4.24. The “internal auditors’ conclusions should be supported with adequate working paper documentations” has considered as the most important factor, followed by the “adequately reviewed and supervised” and the “appropriate conclusions”. Meanwhile, the “The timing and the period covered by the test” considered as the least important factor, followed by the “internal auditors’ tests should well-designed in order to address the test objectives” and the “the internal audit reports should thorough and of high quality”. However, all aspects were considered as highly important for internal auditors’ performance since all individual aspects has reached over 4.0 of mean score.

Table 7: Results on internal auditors' work performance

Statements	Frequency of Scores					M	SD	Rank
	1 %	2 %	3 %	4 %	5 %			
Internal auditors' work performance from the external auditors' point of view:								
Effective internal audit work plan is important	-	-	4.3	63.4	32.3	4.28	0.54	4
Internal auditors' tests should well-designed in order to address the test objectives	-	1.1	14.0	52.7	32.3	4.16	0.69	8
The extent of the tests should sufficient in terms of sample sizes, locations covered, etc	-	-	6.5	63.4	30.1	4.24	0.56	5
The timing and the period covered by the tests should appropriate.	-	1.1	12.9	64.5	21.5	4.06	0.62	10
The tests perform should be as planned and expanded where necessary	-	1.1	12.9	52.7	33.3	4.18	0.69	7
Appropriate conclusions are important for internal auditors	-	-	2.2	61.3	36.6	4.34	0.52	3
Internal auditors' conclusions should be supported with adequate working paper documentations	-	1.1	4.3	50.5	44.1	4.38	0.62	1
The internal audit reports should thorough and of high quality	-	3.2	8.6	57.0	31.2	4.16	0.71	9
Internal audit reports should consistent with the work performed	-	1.1	6.5	60.2	32.3	4.24	0.61	6
Internal auditor's work should be adequately reviewed and supervised	-	1.1	5.4	49.5	44.1	4.37	0.64	2
Summary	-	1.0	7.7	57.5	33.8	4.24		

4.3.4 Professional Judgment and the Rank of Objectivity Factor

In the fourth section of the questionnaire the researcher had asked the respondents two open-ended questions about the importance of professional judgment for external auditors and the objectivity factor as the most important factor in assess client's internal audit function. The questions were a combination of five-point Likert scale and followed by essay questions that required responders to write down their opinions. Unfortunately from all returned questionnaires, only 12 out of 93 participants or approximately 13 per cent of the sample were completely filled five-point Likert scale questions together with the essay questions.

Table 8 shows the result from the five-points Likert scale questions. From the table, it can be seen that approximately 91.3 per cent of external auditors in the sample "agree" and "strongly agree" with the first questionnaire statement. It consisted with 58.0 per cent of responders "agree" and 33.3 per cent "strongly agree" that the professional judgment considered as important factor for external auditors. It was recorded that only 8.7 per cent of participants preferred as "moderately agree" with the questionnaire statement. Interestingly, none of external auditors in the sample felt "disagree" or "strongly disagree" on the important role of their professional judgment.

In sum, it can be seen from the table that the mean score for the first statement were approximately 4.25 with 0.60 of SD score. This result suggests that in average, external auditors were agreed that the professional judgment considered as highly important factor that play significant role in their assignment. However, this revealed that external auditors were more or less depends on their judgmental decision.

Table 8: Results on external auditors' professional judgment and objectivity as the most important factor

Statements	Frequency of Scores					M	SD
	1 %	2 %	3 %	4 %	5 %		
Professional judgement is important for external auditors	-	-	8.7	58.0	33.3	4.25	0.60
Internal auditors' objectivity is the most important factor in evaluating - the strength of client's internal audit function	-	-	11.6	53.6	34.8	4.23	0.64

As mentioned earlier, the questionnaire in this section has asked the respondents to give opinion regarding the statements. The following is the feedbacks from the first statement

Statement 1:

“Professional judgement is important for external auditors”.

Feedbacks from Statement 1:

- “Professional judgment will help external auditors in sampling decision”.
- “Let’s take materiality as an example; there is no definite consensus among companies concerning materiality. To encounter this, external auditors need to equip them self with professional judgment”.
- “General audit are conducted to obtained reasonable assurance on whether the financial statement are free of material miss statement. These financial statements were processed based on accounting standards that required management to make estimations and assumptions. Therefore, to obtained reasonable assurance from the financial statements, the existence of professional judgment is important”.
- “Professional judgment will help external auditors when guidelines of industry best practice not existence”.
- “In many cases, external auditors exercised their professional judgment to understand the client’s business and industry”.
- “External auditors are often required to exercise professional judgment based on their best knowledge at the point in time”.
- “In particular situation, external auditors should consider all sources (including their knowledge and experience) before making final decision”.

- “Sometimes the existing auditing standards could not accommodate the actual situation of audit assignments.”
- “There is a relationship between judgmental ability and working experience; judgment from inexperience external auditors might lead into inappropriate conclusions/decisions.”
- “Partially agree; in some cases decisions can be made based on professional standards, but in other cases external auditors helped by their professional judgment”.
- “External auditors are required to use their professional judgment to challenge the management’s judgments”.
- “External auditors use their professional judgment in most of their work (i.e. to determine sample size and materiality) and it is important for external auditors to exercise their professional judgment in planning the audit procedures and evaluating the audit results”.

The feedbacks received from the first statement revealed that external auditors were aware and understand about the role of professional judgment in their work. Responders were fully agreed with the statement since they used their professional judgment in most of their work. The possible reasons for this result maybe because the financial statements prepared by client also based on accounting standards which full of estimations and assumptions that required management’s judgment. Thus, the auditor’s judgment is necessary to assess the decisions made by management in preparing financial statements. Parts of responders were partially agreed with the first statement because basically external auditors has professional standards that can be used as references in making decisions before exercising their professional judgment.

From the second statement on the Table 8, the result has revealed that 88.4 per cent of the participants agreed with the statement. Among that responders, totally 53.6 per cent of participants “agree” and nearly 34.8 per cent “strongly agree” that internal auditors’ objectivity considered as the most important factor in evaluating the strength of client’s internal audit function. None of the responders “disagree” or “strongly disagree” with the statement, but approximately 11.6 per cent of the sample has chosen “moderately agree” regarding the statement. This result suggests that among external auditors, there were still doubt whether agree or not agree that internal auditors’ objectivity as the most important factor in assessing internal audit function.

From the table, it also can be seen that the highly agreement among external auditors on the second statement reflected by the result of the mean score. (4.23 of mean score with 0.64 of SD score). This result has revealed that most external auditors placed the objectivity factor as the most important factor in assessing internal audit function compared with competence and work performance factors. As the questionnaire in an open-ended form, the written feedbacks were received from respondents. Some of the feedbacks are as follow:

Statement 2:

“Internal auditors’ objectivity is the most important factor in evaluating the strength of client’s internal audit function”.

Feedbacks:

- “Objectivity/independent is the most important factor either for external or internal auditors”.

- “The objective of internal audit function is to ensure the company operates effectively and efficiently through the company’s guidelines. Therefore, internal audit should be objective in regard to the guidelines”.
- “For auditors, objectivity is required by auditing standards”
- “The work of internal audit function will be worthless if the internal auditors not objective”.
- “Internal auditors should not influenced by anyone in the top management and only report directly to the audit committee. This exclusive position reflects the important of objectivity for internal auditors in their work”.
- “It is hard to evaluate the objectivity of internal auditors”.
- “It is the most important factor, thus external auditors need to make sure the objectivity of internal auditors before using their works”.
- “The internal auditors should be unbiased and should report the actual situation without being influenced by any party.”
- “The most difficult part of being internal auditor is to be objective”.
- “Internal auditors’ objectivity guarantees the independent of the internal audit department from general management and profit-centre departments.”
- “The decision to rely on internal audit function will affect the decisions on determining audit risks and the planning of audit procedures”.
- “The first factor to evaluate by external auditors is the objectivity of internal auditor”.

Most of the feedbacks on second statement explicitly explained that objectivity should be the most important factor in evaluating the strength of client’s internal audit function. In general, respondents felt that using internal auditors’ work is less useful if the objectivity of the function in doubt. Some of the responders also felt internal auditors’

objectivity as the most important factor in assessing internal audit work because it is difficult for internal auditors to be objective even though they already have exclusive position in organisation. Thus, responders believed that external auditors need to assess the objectivity of internal auditors before evaluating other factors since it affected the decision on determining audit risks and audit procedures.

4.4 The Relative Importance Weights

To benefits the Schneider’s decision aid model, the ranked-order importance factors resulted in this study were computed to provide the relative importance weights. Table 9 presents the result of the computation. The mean scores in table are provided from Table 5 of “result on internal auditors’ competence factors” with 4.09 of mean score, Table 6 of “result on internal auditors’ objectivity factors” with 4.13 of mean score and Table 7 of “result on internal auditors’ work performance factors” with 4.24 of mean score.

Each of the factors transformed into relative importance weights with the range from 0 to 1. From the computation, the relative importance weights for the three factors were 0.328 for internal audit competence, 0.332 for internal audit objectivity and 0.340 for internal audit work performance. For the purpose of implementation, the result from computation of relative importance weights in Table 9 will be transferred to Schneider’s decision model.

Table 9: Relative importance weights

Assessment Factors	M	Relative Importance Weights
Internal audit competence	4.09	0.328
Internal audit objectivity	4.13	0.332
Internal audit work performance	4.24	0.340

4.5 Implementation on Schneider’s Decision Aid Model

Table 10 contains a modification of Schneider’s decision aid model for external auditors in Indonesia to extent of internal audit reliance. The model consisted with three primary factors of internal auditors’ function assessments (internal audit competence, objectivity and work performance) identified in auditing standards (i.e., SAS No.65, p. 257). This decision aid model is equipped with the relative importance weights of the factors obtained from this study. It should be noted that the decision aid provided in this study only applicable for external auditors in Indonesia.

Table 10: Decision aid to extent of internal audit reliance (Indonesia)

Assessment Factors	Weight	Rating	Weight x Rating
Internal audit competence	0.328	_____ ^a	_____
Internal audit objectivity	0.332	_____ ^b	_____
Internal audit work performance	0.340	_____ ^c	_____
Reliance Score			_____

Decision:

Reliance score of 9–10 (rely heavily on internal auditing)

Reliance score of 6–8 (rely a moderate amount on internal auditing)

Reliance score of 0–5 (place little or no reliance on internal auditing)

^a Number of "Yes" answers obtained from Schneider's "Decision aid - to evaluate internal audit competence" table (Appendix 2).

^b Number of "Yes" answers obtained from Schneider's "Decision aid - to evaluate internal audit objectivity" table (Appendix 3).

^c Number of "Yes" answers obtained from Schneider's "Decision aid - to evaluate internal audit work performance" table (Appendix 4).

The total weights for the competence, objectivity and work performance are equal to 1. To provide the rating scores (number of “Yes” responses), external auditors should evaluate the internal audit competence, objectivity and work performance using the tables provided by Schneider (Appendix 2-4). Appendix 2-4 is a decision aids for external auditors to help them assess the internal auditors’ competence, objectivity and

work performance. Each of decision aid contains with a list of questions that consists with 10 questions (each decision aid) regarding the quality of client's internal audit function. External auditors are required to fill all the questions with yes/no answers, which any "yes" answer reflects positively on internal auditors' competence, objectivity and work performance, meanwhile the "No" answer reflects negatively on internal auditors' competence, objectivity and work performance. Schneider (2010) designed the questions in these decision aids by identifying the evaluation aspects on professional standards and from the prior research studies.

After filling the entire questions, external auditors will obtained the rating scores for each factors. The scores on the three decision aids in *Appendix 2-4* should be the number of "Yes" responses from all 10 questions for each decision aid. Thus the range score for decision aid should be between 0 and 10. Then, the obtained from external auditors evaluations should be multiplied by its associated weights. For example, the rating score for internal audit competence should be multiplied by 0.328 of weight. Finally, the resulted scores are summed up to obtained the reliance score.

External auditors need to assign decision rule to interpret the reliance score resulted in this decision aid model. Schneider (2010) has noted that the interpretation of the reliance score would be arbitrary depends on the assigned decision rule. Thus, decision rule might be difference between auditors depends on their preferences. In this case, the decision rule for the reliance score would be as follows:

- External auditors would heavily rely on client's internal auditing function if the reliance score is between 9 and 10.

- External auditors would moderately rely on client's internal auditing function if the reliance score is between 6 and 8.
- External auditors would place minimum or no reliance on client's internal auditing function if the reliance score is below 5.