The Effect of Internal Audit Quality (IAQ) on Enterprise Risk Management (ERM) in Accordance to COSO Framework

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Abstract

The purpose of this study is to explore the effect of internal audit quality (IAQ) measured by its dimensions which is (internal auditor independence, internal audit department efficiency, internal audit work scope and professional care for internal audit staff) on Enterprise Risk Management (ERM) according to COSO Framework in the sample of Jordanian industrial companies listed on the ASE, which number 63 companies. To achieve the study goals, the descriptive analytical method was used through development a questionnaire distributed to a sample Consists of (126) respondents from internal audit and the risk management employees in Jordanian industrial companies, of which (96) questionnaires are valid for analysis.

The study found that there is a statistically significant effect for internal audit quality (IAQ) with its dimensions on Enterprise Risk Management (ERM) according to COSO Framework. Internal auditor's independence was ranked first, as it was the most significant effect on ERM, while the internal audit work scope was in the last position in terms of effect.

Keywords: Internal Audit Quality, Enterprise Risk Management (ERM), COSO Framework

1. Introduction

Organizational units request to enhance their performance and realize the maximum possible profit for shareholders and owners by making right decisions. However, the speedy changes in the business environment may drive organizational units to continuously changing their purposes to eschew the risks linked with many decisions. This call for effective management of risk management across all levels of management (Hadi, 2017). Enterprise Risk Management (ERM) supply elasticity in managing the quandaries and risks facing the organizational unit (Wang et al., 2017) ERM works to memorize the rights of owners through transparency and corporate governance practices (Agustina & Baroroh, 2016). It is an effective tool that helps organizational units departments to shoulder their
responsibilities across different stakeholders of the organizational unit is able to deal with uncertainties related aftertime events or expected results (Ramlee & Ahmad, 2015).

The functions and activities of the internal audit are attached to the ERM and its components (Hadi, 2017). The internal auditor should distinguish the risks of the several events to which the organizational unit is exposed, evaluate these events and locate the level of their impact on achieving the purposes (Teoh et al., 2017). Internal audit department also reporting on the procedures of the different departments of the organizational unit, and understanding the internal environment of the organizational unit (Bogazi & Malika, 2018). All these activities are interconnected with the components of the ERM.

Internal auditing also creates supplemental value for the organizational unit by furnish the inevitable information Identify and assess probable risks (Nabulsi & Haidoura, 2018), evaluate the adequacy and effectiveness of the ERM procedures (Hadi, 2017). So it is get involved in the formation of views and ideas for improved ERM. Therefore, the quality of internal audit is linked to ameliorating the flow of information in the organizational unit and improving oversight procedures (Fredrick et al., 2014). Thereby increasing the efficiency of corporate risk management, corporate monitoring processes (Bogazi & Malika, 2018), also internal audit are underpinning of the board the directors in the control of ERM activities, and identify events that may affect the achievement of targets (Bonic & Dordevic, 2012).

It is therefore expected that increased in quality of internal audit to be expected improve corporate risk management. This study was conducted to identify the effect of internal audit quality in ERM in Jordanian industrial companies. COSO Framework for ERM is considered one of the major pillars of practice. It embodies the basic concepts of how organizational units manage their risk, and it is equipping a basis for application in various organizational units, industries and sectors. Thus the problem of the study can thus be expressed in the following questions:

Is there an effect of internal audit quality on Enterprise Risk Management (ERM) accordance to COSO Framework?

This question is divided into the following sub-questions:
1. Is there an effect of the internal auditor's independence on (ERM) accordance with the COSO Framework?
2. Is there an effect of internal audit department efficiency on (ERM) accordance with the COSO Framework?
3. Is there an effect of internal audit work scope on (ERM) accordance with the COSO Framework?
4. Is there an effect of internal audit staff professional care on (ERM) accordance with the COSO Framework?

**Study Objectives**

Study main objective is identifying the effect of internal audit quality on Enterprise Risk Management (ERM) accordance to COSO Framework. This main objective is divided into the following sub-objectives:

1. Identify the effect of the internal auditor's independence on (ERM) accordance with the COSO Framework.
2. Identify the effect of internal audit department efficiency on (ERM) accordance with the COSO Framework.
3. Identify the effect of internal audit work scope on (ERM) accordance with the COSO Framework.
4. Identify the effect of internal audit staff professional care on (ERM) accordance with the COSO Framework.
3. Study Hypotheses

Main hypothesis (H0): There is no effect for internal audit quality on Enterprise Risk Management (ERM) accordance to COSO Framework.

This hypothesis is divided into four sub-hypotheses:

H01: There is no effect for internal auditor's independence on Enterprise Risk Management (ERM) accordance to COSO Framework.

H02: There is no effect for internal audit department efficiency on Enterprise Risk Management (ERM) accordance to COSO Framework.

H03: There is no effect for internal audit work scope on Enterprise Risk Management (ERM) accordance to COSO Framework.

H04: There is no effect internal audit staff professional care on Enterprise Risk Management (ERM) accordance to COSO Framework.

4. Theoretical Framework

4.1 Concept, Importance and Objectives of Internal Audit

Internal audit is defined as a set of duties or tasks carried out by an expert management in the organizational units to inspect and evaluate financial and administrative procedures with a view to ensure that they are in conformity with the organizational unit's plans and policies (ALshbiel & AL-Zeaud, 2012). The Institute of Internal Auditors (IIA) has defined Internal Audit as "an objective and independent activity that provides assurance and advisory services in order to add value to the organizational unit and improve its operations, this activity helps the organizational unit to achieve the objectives through a systematic approach to improve and evaluate the effectiveness of governance" (IIA, 2018, p2). Teoh et al., (2017) has defined Internal Audit as an objective and independent and consultation action that aims at adding value to the organizational units operations and helps the organizational units to realize its objectives through a soldier like and systematic approach to assess and ameliorate management processes effectiveness as well as ameliorate risk management control and effectiveness.

According to International Auditing Standard No. 610 issued by International Assurance and Auditing Standards Board (IAASB) there are six internal audit objectives:

1. Follow-up of internal control;
2. Financial and operational information testing;
3. Examination of the company's operational activities;
4. Compliance with regulations;
5. Risk management; and

4.2. Internal Audit Quality

To this day there is no harmonization between researchers and professional bodies on a nominated definition of audit quality, or a clear at the global level accepted technique for measuring it (AbdelGhany, 2012). The lack of a nominated definition of audit quality is due to the conflicting roles of diverse parties involved in the audit process, and the diverse opinions of each of this combination in the audit process (Saputra, 2015). The Gramling & Hermanson study in 2009 was one of the most serious studies that attempted to arrive at a workable definition of the internal audit quality as an information system, with three components: inputs, Processing operations, and output. The quality of any system lies in its outputs quality. Therefore, according to this approach internal audit quality is defined by the internal audit process quality in addition to internal audit outputs quality, which is manifested in internal auditors reports added value, and the stretch to which organizational unit
perform the recommendations that contained in the auditors' reports and the results of implementing these recommendations (Gramling & Hermanson, 2009).

### 4.3. Internal Audit Quality Measurement

There is no nominated measure of the quality of internal audit, but the assertiveness in the 610 standard is on regulating the use of the external auditor for internal audit actions (Dumitrescu & Bobiţan, 2016). The purpose of this standard is to rudder external auditors to determine their level of Reliance in the internal audit function, based on internal audit quality. Internal audit quality measures can be gathering into four main measures:

1. **Internal auditor’s independence**: Where we can look at the concept of independence as a matter of mind or intellect, since the auditor must be independent in his thinking and in expressing his opinion with integrity and honesty, and it should not allow any considerations to affect the opinion that will be expressed in the audit report (Abbass & Aleqab, 2013).

2. **Internal audit department efficiency**: The internal audit department efficiency pointed that the skills and knowledge of Internal auditors are maintained to the required level to support in the performance of nominated functions in congruence with the organizational unit's standards and that the Internal Auditor is duly qualified to behavior the audit as well as to repay to changes and developments that may occur in the audit profession (Abbass & Aleqab, 2013).

3. **Internal audit work scope**: As a result of the expansion of the functions of the internal auditor to cover the inspection and evaluation of company operations, and planning turn into requisite as well as perform and supervise the examination and documentation in a methodical manner. Internal audit is considered to be of high quality if its activities can be memorable from other control activities that may be undertaken within the organizational unit, Audit programs sufficient, and if the audit records are documented enough (Alzeban & Nedal, 2016).

4. **Internal audit staff professional care**: The Internal Audit Standard No. 1220, “Professional Care, Provides that internal auditors have to exercise the expected care and skill of a reasonable individual, an effective internal auditor. Professional care not including infidels and that professional care means the use of skill and the appropriate amount for audit performance” (IIA, 2018).

### 4.4. Enterprise Risk Management (ERM)

Risks reflect suspiciousness that can have a negative or positive influence on the organizational unit's ability to achieve its purposes (Agarwal, 2017), this by causing overlapping results, as the risks are related to the organizational unit's capability to attain its purposes, that the purposes cannot be accomplished without accepting a certain level of risk (Salaudeen et al., 2018). Enterprise Risk Management (ERM) has emerged as a new model designed to manage different kinds of risks that may be faced by organizational units (Dionne, 2013). ERM is improving risk control by working to collect, analyze and handle all kinds of risks (Ogutu et al., 2018). While the traditional risk management (TRM) count on very big way on statistical risks data as well as historical risks data treating (Pagura, 2016), so it has fruitless to look into the likelihood of new screenplay, unanticipated new kinds of risks, and also dealing with each kind of risk singly from other kinds, which leading to the organizational unit's sensitiveness to dealing with new kinds of risk, which leading to reduced efficiency and effectiveness of risk management (Ilhang & Sorah, 2017).

Regulators and literature have listed many definitions for enterprise risk management, where (COSO) defined (ERM) as a "process that is implemented by the Board of Directors, Management and other staff and applied in strategy setting to all parts of the enterprise, designed to identify potential events that may affect the entity and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives the objectives of the entity” (COSO, 2004, p.
2. ISO 31000 (2010) also defined ERM as a organized set of activities to clue and control the risks of the company and it aims to give to decision making by taking into account the uncertainty and the likelihood of future events and their influences on the goals collectively.

With regard to academic researchers, ERM has been defined as a set of procedures undertaken by the organizational unit's management, to predicting, admitting and analyzing all threats and opportunities that may encounter organizational unit to reduce their negative influences, and to take trait of potential opportunities and develop them, and that should be in participation with all parties (Arnold et al., 2011). It has also been defined as a new jointed aggressive way to risk management rather than a defensive way that enables the organizational unit to manage a broad range of risks at the organizational unit level in an amalgamated and thorough approach as an alternative of centralize on each type of risk in seclude from other types (Togok, 2016). Yang et al. (2018) argue that REM is tided the risks and it’s take in a thorough risk running overview through coordination between people, procedures and scopes, thereby reducing overall risks and rising the ballast of the organization. Pagura (2016) noted that ERM includes five components: risk definition, risk assessment and response, control, risk management, goal setting and formulation.

ERM is more dynamic than TRM in a variety of risk environments (Agarwal, 2017). ERM has many avails for organizational units, it can enable and Increase organizational unit’s potentiality to harmonization of risk appetite and corporate strategy (Connair, 2013), smelting organizational units goals, return and risk (Annamalah et al., 2018), Supporting the organizational unit in risk response decisions by supply the receptivity to the organizational units to identify alternatives ways for risk responses (Agarwal, 2017), Reduce operational costs and losses (Salaudeen et al., 2018), Provide consolidated responses to the multiple risks through find consolidated solutions to manage multiple risks Which facing business organizations (Farrell & Gallagher, 2015), Seizing opportunities (Anton, 2018), and finally rationalize capital allocation through increase the ticklish information accessible to the organizational unit's management about overall risk management, authorizing the organizational unit to evaluate capital requirements more (Agarwal, 2017).

4.5. The Role of Internal Audit in Enterprise Risk Management

Particularly, internal audit centralize on risk by making extra value by providing the essential information to identify, assess and understand potential risks. Internal audit also plays a key role in assessing the sufficiency and benefits of ERM as well as engage in the formation of views and suggestions that will get better ERM (Fredrick et al. 2014). The role of internal audit can be defined in expansion of ERM and its efficiency through the following ways:

1. Internal Audit monitors the manner in which the systems of risk management are progressing and implemented and define whether they are authoritative, understandable and compatible to the organizational unit’s needs. Internal auditor's liabilities include providing an impartial report on the status of risk management to the Board (Bonic and Dordevic, 2012).
2. Internal Audit provides advisory services and commendations to the Board of Directors on ERM and how to develop (Fredrick et al., 2014).
3. Internal audit conducts workshops on self-assessment monitoring and delivery of risk messages across all organizational structure levels. Auditors focus on skills that increase smooth operations, coordinate teams, and assist them in establishing adequate documentation identifying priority risks and action plans (Nabulsi & Haidoura, 2018).
4. Internal auditors have to collection of information on all risk at the organizational unit. Thus create a database used for ERM and estimating the control of risk of various activities in the organizational units (Nabulsi & Haidoura, 2018).
4.6. Previous Studies

Studies on the relationship between internal audit and ERM in accordance to the COSO Framework are relatively recent, that’s because the COSO framework was issued in 2004 only. Accordingly, the following studies have been reviewed for this date.

Walker et al. (2003) Was one of the first studies that examined the role of internal audit in ERM, which indicated that internal audit activities contribute to enterprise risk management. Fraser & Henry (2007) found that internal audit can be a major contributor to ERM. Gramling & Myers (2006) found that internal audit was primarily responsible for ERM. Sarens & de Beelde’s (2006) concluded that internal auditors play a serious role in risk management throw focusing heavily on internal control. Beasley et al. (2006) study showed that there is an impact of ERM on internal audit, the results also showed that the greatest impact comes when the ERM framework in the organizational unit is more complete.

De Zwaan et al. (2011) also concluded that there is a relationship between internal audit and ERM, this because of internal auditors involvement in most ERM activities. The results of Thompson (2013) study indicate that the independence of the internal auditor and its objectivity will not be neglected when they lead and manage the ERM in the organizational unit. In addition, the time which internal auditor’s spent in the application of consultancy activities in ERM does not affect their independence and objectivity. Similarly, Dabari & Saidin (2014) concluded that internal audit effectiveness has a positive relationship with the implementation ERM in the organizational unit.

Fredrick et al. (2014) concluded that governmental institution management have to improve the internal environment in order to ensure compliance and support for internal auditing, so it can effectively discharge its responsibilities to achieve the effectiveness of ERM. Abdullatif & Kawuq (2015) found that the internal auditors are very involved in the risks in Jordanian commercial banks. Ul-Hameed et al. (2017) indicated that internal and external audit effectiveness has positive relationship with level of implementation ERM. In addition, Drogalas & Siopi (2017) indicate that the internal audit added value is related to risk management. Nabulsi & Haidoura (2018) found that there is an impact of internal audit and ERM in realizing the strategic purposes of organizational units, improving organizational unit performance, and achieving the purposes of stakeholder as well as the effective of internal audit communication with ERM lead to improve the organization's knowledge and understanding of risks. Bogaz & Malika (2018) Argues that the contribution of internal audit to ERM is by providing assurance about the way the organization's risk management is managed, how to respond to it. Finally Iskandar et al. (2018) indicate that independence and efficiency of internal auditors are attached to the implementation of ERM.

4.7. The originality of this Study

All previous studies have not attempted to establish a link between the internal audit quality and their effect on the components of COSO ERM framework. This study has been characterized that these studies have linked the internal audit quality effect on ERM under the COSO framework. According to the researcher's knowledge and because he was unable to find previous studies related to the study variables combined, this study can be one of the first studies in this area.

5. Methodology

The study follows sequential procedures as a strategy for mixed method that has been applied. The researchers collect qualitative data that are quantitatively analyzed. This study is trying to reveal the possible effect of Internal Audit Quality on Enterprise Risk Management in accordance to the COSO Framework, but analytical in drawing conclusions. The results of hypotheses test are analyzed to reach to recommendations and conclusions. The questionnaire was used to attain the purpose of the study.
5.1. Sources of Data

Qualitative data has been collected and then quantitatively analyzed. Qualitative data is suitable for the study because it is based on the views and trends of Employees in the internal audit and risk management departments of Jordanian Public Shareholding industrial companies as we try to determine the possible effect of Internal Audit Quality on Enterprise Risk Management in accordance to the COSO Framework. A questionnaire has been distributed, then the resulting data has been expressed as statistical figures as well as applying statistical tools needed to test the hypotheses. The sources of study data are classified into primary and secondary data. The preliminary data are the results of the questionnaire, which was developed based on International Auditing Standard No. 610 which regulates the use of internal audit by the external auditor, In addition to the COSO framework for ERM. The secondary data include any books, previous studies, academic journals, etc., to formulate hypotheses and determine the theoretical framework of the study.

5.2. Sampling Unit

The sampling unit included all employees in the internal audit and risk management departments of Jordanian Public Shareholding industrial companies. The number of employees is estimated to be about (379) according to the information collected through contacting the companies directly. Two questionnaires were distributed to each company, one to the internal audit department and the other to the risk management department. Accordingly, the number of questionnaires were distributed to respondents is (126) questionnaires, of which (96) questionnaire are useful for analysis, and (30) were excluded for incomplete. Recovery rate is (76.19%) This ratio is statistically acceptable according to Sekaran's tables (Sekaran, 2000).

5.3. Statistical Method of Analysis

The study relies on the SPSS program to statistically analyze the data. We have used four statistical methods for the study. We have used descriptive statistical procedures (percentages, frequencies, arithmetical averages, mean, and standard deviation), internal consistency coefficient (Cronbach’s Alpha) to measure the reliability of the study tool, multiple linear correlation tests, and simple and multiple linear regressions.

5.4. Reliability Test

We used Cronbach’s Alpha to test the reliability of the study tool. The results revealed a Cronbach’s Alpha Coefficient of 0.929 for all items. The variables of the study range from 0.691 to 0.912, which indicates that the questionnaire is reliable. The values of $\alpha$ of the study variables are listed in the following table:

Table 1: Reliability test of study tool

<table>
<thead>
<tr>
<th>Number</th>
<th>Variable</th>
<th>Reliability Coefficient ($\alpha$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Internal auditor independence</td>
<td>0.832</td>
</tr>
<tr>
<td>2</td>
<td>Internal audit department efficiency</td>
<td>0.691</td>
</tr>
<tr>
<td>3</td>
<td>internal audit work scope</td>
<td>0.748</td>
</tr>
<tr>
<td>4</td>
<td>Internal audit staff professional care</td>
<td>0.723</td>
</tr>
<tr>
<td></td>
<td>Internal Audit Quality</td>
<td>0.912</td>
</tr>
<tr>
<td></td>
<td>Enterprise Risk Management</td>
<td>0.860</td>
</tr>
<tr>
<td></td>
<td>All paragraphs</td>
<td>0.929</td>
</tr>
</tbody>
</table>
Hypotheses Test
Subjecting the study hypothesis to the analysis of Stepwise and Multiple linear regressions, the results were as follows:

**Main hypothesis (H0):** There is no effect for internal audit quality on Enterprise Risk Management (ERM) accordance to COSO Framework.

**Table 2:** Results of the effect of Internal Audit Quality on Enterprise Risk Management in accordance to the COSO Framework

<table>
<thead>
<tr>
<th>dependent variable</th>
<th>Model Summery</th>
<th>ANOVA</th>
<th>Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>R²</td>
<td>F</td>
</tr>
<tr>
<td>Enterprise Risk Management (ERM)</td>
<td>0.654</td>
<td>0.428</td>
<td>17.002</td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
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</tbody>
</table>

*Statistical significance at level (α ≤ 0.05)

The results of Table (2) indicate that the correlation coefficient (R = 0.654), Refers to the relationship between variables (independent and dependent), and the effect of independent variables (internal audit quality) on the dependent variable (ERM) is statistically significant, Where the value of the calculated F is (17.002) and the level of significance (Sig = 0.000) is less than (0.05), where the value of the coefficient of determination (R² = 0.428) indicates that 42.8% of the variation in ERM can be explained by the variation in (internal audit quality) combined.

The table of coefficients showed that the value of B at (Internal auditor independence) reached (0.148) and that the value of t is (4.038) and the level of significance (Sig = 0.000), which is less than 0.05, indicating that the effect of this dimension is significant. Accordingly, we reject the first nihilistic hypothesis, and accept the alternative hypothesis: There is an effect for internal auditor's independence on Enterprise Risk Management (ERM) accordance to COSO Framework.

The value of B at (Internal audit department efficiency) reached (0.098) and that the value of t is (2.733) and the level of significance (Sig = 0.008), which is less than 0.05, indicating that the effect of this dimension is significant. Accordingly, we reject the second nihilistic hypothesis, and accept the alternative hypothesis: There is an effect for internal audit department efficiency on Enterprise Risk Management (ERM) accordance to COSO Framework.

The value of B at (Internal audit work scope) reached (0.077) and that the value of t is (2.024) and the level of significance (Sig = 0.046), which is less than 0.05, indicating that the effect of this dimension is significant. Accordingly, we reject the third nihilistic hypothesis, and accept the alternative hypothesis: There is an effect for internal audit work scope on Enterprise Risk Management (ERM) accordance to COSO Framework.

The value of B at (Professional care for internal audit staff) reached (0.112) and that the value of t is (3.318) and the level of significance (Sig = 0.046), which is less than 0.05, indicating that the effect of this dimension is significant. Accordingly, we reject the fourth nihilistic hypothesis, and accept the alternative hypothesis: There is an effect internal audit staff professional care on (ERM).

To determine which of the internal audit quality dimensions had the most significant effect on the quality of the auditor's report, the gradient regression analysis was used. The result was as follows:
Table 3: Results of the regression analysis of the main hypothesis

<table>
<thead>
<tr>
<th>Model</th>
<th>Internal Audit Quality</th>
<th>B</th>
<th>Calculated t value</th>
<th>Sig*</th>
<th>R²</th>
<th>Calculated F</th>
<th>Sig*</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Model</td>
<td>Internal auditor independence</td>
<td>0.217</td>
<td>5.675</td>
<td>0.000</td>
<td>0.255</td>
<td>32.208</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>Internal auditor independence</td>
<td>0.183</td>
<td>4.892</td>
<td>0.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Internal audit department efficiency</td>
<td>0.126</td>
<td>3.449</td>
<td>0.001</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second Model</td>
<td>Internal auditor independence</td>
<td>0.157</td>
<td>4.267</td>
<td>0.000</td>
<td>0.340</td>
<td>23.917</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>Internal audit department efficiency</td>
<td>0.119</td>
<td>3.411</td>
<td>0.001</td>
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<tr>
<td></td>
<td>Internal audit work scope</td>
<td>0.106</td>
<td>3.095</td>
<td>0.003</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third Model</td>
<td>Internal auditor independence</td>
<td>0.148</td>
<td>4.038</td>
<td>0.000</td>
<td>0.402</td>
<td>20.609</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>Internal audit department efficiency</td>
<td>0.098</td>
<td>2.733</td>
<td>0.008</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Internal audit work scope</td>
<td>0.112</td>
<td>3.318</td>
<td>0.001</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Internal audit staff professional care</td>
<td>0.077</td>
<td>2.024</td>
<td>0.046</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The results of the regression analysis show the order of entry of variables in the regression model that represents the effect of internal audit quality on ERM according to COSO framework. Where it was found that independence of internal auditor ranked first. And explained (25.5%) of variance in the dependent variable. When (Efficiency of the Internal Audit Department) add in the second model, the explanation ratio increased to (34.0%). The addition of (Internal audit work scope) led to a high rate of interpretation to reach (40.2%). Adding (Professional care for internal audit staff) increased the interpretation to (42.8%).

**Conclusion**

The study is aimed to identify the effect of internal audit quality in terms of dimensions (Internal auditor independence, Efficiency of the Internal Audit Department, Internal audit work scope and Professional care for internal audit staff) on Enterprise Risk Management (ERM) accordance to COSO Framework.

By testing the hypotheses of the study, an effect was found for internal auditor quality on ERM. This finding is consistent with the findings of Iskandar et al. (2018) which indicated that the internal auditor's independence and efficiency are closely related to the implementation of ERM. As well as consistent with the findings of Nabulsi & Haidoura (2018) which pointed out that efficiency, effectiveness, independence and objectivity are improving ERM. And (Drogalas & Siopi, 2017) indicated that the added value of internal audit is significantly related to risk management. As well as this finding consistent with the findings of Bogaz & Malika (2018) which indicated a contribution of internal audit to ERM.

The internal auditor's independence was ranked first, as it was the most significant effect on Enterprise risk management, while the Internal audit work scope was in the last position in terms of effect. The relative importance of the variables of the study is respectively: internal auditor independence, efficiency of the Internal Audit Department, Professional care for internal audit staff, internal audit work scope.

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