The Reliance of External Auditors on Internal Auditors and its Impact on Audit Fees: An Empirical Examination

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Abstract

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Two objectives have been investigated: (1) to study the perception of external auditors as for the importance given to a number of factors influencing their reliance on internal auditor during the performance of their audit work. And (2) to examine whether there is a relationship between the degree of reliance on the internal audit in the performance of external audit work and audit fees.

To achieve the objectives of the study two methodologies were employed. The first objective was investigated by distributing questionnaires to two-hundred Jordanian external auditors, sixty-nine of them were received. Findings pertaining to this objective showed that external auditors rely more on internal auditors as for internal auditors’ competence, objectivity, then work performance respectively.

The second objective of the study was achieved by employing a regression model which included information about forty-one Jordanian companies listed on the Amman Stock Exchange. The results of the
regression showed that there is no significant relationship exist between reliance on internal auditing and audit fees.

In addition, the study recommended future research to investigate the importance of the factors examined by the study from the point of view of internal auditors. Also, to examine the impact of industry/size on the relationship between reliance on internal auditors and audit fees.