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Research paper

Exploring The Role of Internal Audit Characteristics and Report on Quality in Shaping External Auditors' Reliance: Evidence From Saudi Arabia

Thamer M. Al-Wadai [1*], Ahmed Alsenosy [1], Aza Azlina Md Kassim [2]

[1] Graduate School of Management, Post Graduate Centre, Management and Science University (MSU), University Drive, Off Persiaran Olahraga, Section 13, 40100, Selangor, Malaysia
[2] Associate Professor at Management and Science University. Management and Science University Universiti Utara Malaysia. Shah Alam, Section 13, 40100, Selangor, Malaysia
**Corresponding author E-mail: alfaisalthamer@yahoo.com*

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Abstract

The current study aims to understand and examine the influences of work performance (WP), competence (COM), objectivity (OBJ) as well as corporate governance quality (CGQ) and internal control effectiveness (ICSE) on external auditors' accreditation (REA) in Saudi Arabia. The mediating role in this study is the internal audit report quality (IRQ). Existing studies have not adequately covered the characteristics, importance, and benefits of internal audit, especially in the Saudi context. The current study is based on a logical and clear approach (positivist approach) through specific theories such as stakeholder theory and RBT theory.
This study is also based on a quantitative approach to understanding the linkage between variables by collecting primary data using a structured questionnaire designed for this purpose. The questionnaires were already distributed via email to the study sample, which consists of audit managers in CPA firms in the Kingdom of Saudi Arabia, to pinpoint relevant facts. To increase response rates, follow-up phone calls were necessary. By targeting all 376 audit firms, the author ensured representativeness and generalizability. For testing the hypothesis, the study relies on collecting questionnaire data. Based on a Structural Equation Model (SEM), the analysis revealed that ICSE, WP, and CGQ are critical determinants of IRQ and REA, with IRQ significantly mediating their effects. Conversely, objectivity and competence did not directly influence IRQ or REA, suggesting that external auditors prioritize tangible performance measures over intangible attributes in the Saudi context. High job performance, effective internal controls, and strong corporate governance are pivotal in enhancing the reports' quality and fostering reliance. These findings underscore the need for organizations to improve their IAF processes, align internal audit practices with external auditors' expectations, and leverage high-quality audit reports to build trust and collaboration. The study contributes theoretical insights and practical applications to strengthen the relationship between IAF and REA, particularly in the context of the evolving governance frameworks in Saudi Arabia.

Keywords: *Internal Audit Function, External Auditors' Reliance, Quality of Internal Audit Reports, Work Performance, Competence, Objectivity, Corporate Governance Quality, Internal Control System Effectiveness, Saudi Arabia, Stakeholder Theory*

1. Introduction

Audit activity practices have changed significantly and noticeably, especially with the continuous development of systems and technology (Thottoli et al., 2022). Financial audit processes have continuously changed, and auditing practices played a major effective role not only in numbers but through reviewing compliance with systems, the credibility of reports, and detecting and addressing errors periodically. This significant development in Saudi Arabia will help it attract investments and keep pace with international standards (Al-Baity, 2023). It offers an equitable and unbiased examination of an organization's fiscal statements, internal controls, and adherence to applicable laws and regulations. A fully completed audit aids in preventing and identifying misuse, inaccuracies in financial data, and any form of fraudulent activity, hence ensuring the reliability of financial information. External Auditors now bear greater responsibilities, extending beyond the traditional role of financial verification to include a more consultative function. They are expected to guide firms on risk management, regulatory guidelines, and opportunities for progress. This shift is particularly significant as it fosters economic diversification and thus attracts foreign investments (Wafeq, 2023). More importantly, this shift aligns businesses in the Kingdom with international standards (Wafeq, 2023).
The Internal Auditing Function (IAF) relies heavily on the principle of transparency and strengthening the quality of Internal reports in any organization. External Auditors (Eas) also depend significantly on the efficiency of internal audit work to ensure complete alignment and

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sustainability (Bonrath & Eulerich, 2024). The connection between the internal and external audit functions has clearly increased in recent years. The relationship between them has become integrated to ensure organizational effectiveness and sustainability, especially in a work environment characterized by complexity and continuous change, especially in Saudi Arabia auditing firms (Aviaan Accounting, 2023; Mati & Rehman, 2022).

However, external auditors' reliance on the internal audit function within any organization is not easy. The external auditors focused on a set of characteristics and determinants to ensure reliability in the work and reports provided before adequately relying on them (IAASB, 2019, 2021). These factors include objectivity as a technical characteristic of the audit function (Siregar et al., 2021) . The term objectivity describes the ability to use factual information to minimize any related subjective insights to make clear decisions (Kaur & Singh, 2019). Competence is another technical characteristic of IAF (Setiyawati et al., 2020). Competence indicates the great alignment of individual and external resources that make it possible for an individual to perform the requirements of a specific job while contributing to the overall purpose of the institution. Work performance, as an additional technical factor, encompasses the extent of accomplishment exhibited by an employee in fulfilling their particular obligations, specifically in terms of the quality of work produced (Fitriati, 2020; IAASB, 2019). Quality of corporate governance (Afridi, 2020; Kaawaase et al., 2021) and the Internal control system efficiency (Vamela & Setiyawati, 2021) There are additional environmental factors. Furthermore, the quality of the financial and accounting records is an additional factor (Hamdallah, 2020).

Therefore, the current study focuses on understanding the determinants that enable external auditors to trust in internal auditing work, especially in companies operating in Saudi Arabia

2. Problem Statement and Objectives

Saudi Arabia has become greatly concentrated on becoming a global investment destination to attract investments and new ideas as part of Vision 2030. There have also been major changes in the method and mechanism of internal auditing as well as financial review processes to keep pace with global standards in financial auditing and monitoring. (Fallatah, 2021). The internal audit function has become a fundamental function, not only for reviewing and tracking numbers, but it has become a focal point that external auditing relies on. Internal auditing improves internal control operations within organizations and creates necessary reports accordingly. External auditing, on the other hand, carefully examines audit work according to risks and other determinants (Montero & Le Blanc, 2019).

The use of internal audit input in external audit assessment is coined as 'reliance'. The term inherently involves teamwork during audits (Quick & Henrizi, 2019). Standards suggest that external auditors usually utilize the internal audit reports (IAASB, 2013, 2019). According to the Sarbanes-Oxley Act of 2002, as described in Breger et al. (2020), external auditors require a reliable internal audit function and strong control systems. Reliance is also an aspect that can increase economic gains (Quick & Henrizi, 2019). Using internal audit work is related to lower audit fees (Al-Angari, 2021).

External auditing always works professionally and does not rely on random internal auditing but rather depends on certain characteristics that must be available in internal auditing functions such as organizational objectivity, competence, quality of performance, strength and effectiveness of the internal control system, and the availability of good governance (Leng et al., 2022). However, the real problem lies in determining the most important characteristics that make external auditing trust internal audit operations, especially in the Kingdom of Saudi Arabia. "There is a scarcity of studies that have discussed these variables collectively (Abbott et al., 2012). There are also old studies in this field, but they did not focus on the Saudi work environment. There is also a clear shortage in studies that discuss the extent to which the quality of internal audit reports affects the external auditor's decisions (Vamela & Setiyawati, 2021). The reports that are generated by the internal audit are considered the starting point for external audit work. The quality of reports produced by internal audit through its daily work must be linked to a set of factors such as objectivity, efficiency, and good performance (Afridi, 2020; Kaawaase et al., 2021). Internal control and the governance system also play a major role in producing such reports. However, the strength and quality of reports produced by internal audit have not been adequately studied, especially their effect on the effectiveness of decision-making by external auditors. (IAASB, 2019).

Furthermore, foundational theories in auditing research, such as Agency Theory, have proven inadequate in addressing the nuanced dynamics of EA-IA relationships (Abdulai et al., 2021; Ashfaq et al., 2023). Stakeholder Theory and Resource-Based Theory offer alternative frameworks, emphasizing human and organizational resources. Such theories are considered significant factors that increase the actual knowledge of the link between IAF characteristics and Eas' dependence.

To address these academic gaps, this study mainly focused on assessing/examining the characteristics of IAF that influence internal audit report quality and, hence, the Eas' reliance on IAF. This study aims to enhance the audit practice within the Saudi context by emphasizing the role of producing high-quality internal financial reports. To achieve this aim, the objectives of this research are as follows:

1. To examine how the Quality of Internal Audit Reports mediates the relationship between technical factors, namely, Work Performance, Competence, and Objectivity, and the reliance of external auditors on the internal audit function in the Kingdom.
2. To examine how the Quality of Internal Audit Reports mediates the relationship between environmental factors, namely, Corporate Governance Quality, and Internal Control System Effectiveness, and reliance of external auditors on the internal audit function in the Kingdom.
3. To examine the actual impact of the Quality of Internal Audit Reports on the reliance of external auditors on the internal audit function in the Kingdom.

Through the obtained results, decision makers can have complete knowledge and a clear vision of the auditing process and how to achieve cooperation between external and internal auditing, especially in the work environment of Saudi Arabia.

3. Hypothesis development

To meet the stated objectives, the next hypotheses were developed, Figure 1.

The present research leverages Stakeholder Theory (Freeman, 2010) to establish a theoretical foundation for the mediating role of quality audit reports in the relationship between internal audit characteristics (such as work performance, competence, objectivity, corporate governance quality, and internal control system effectiveness) and external auditors' reliance.

High-quality reports meeting stakeholder preferences and needs reflect the objective of the IAF team, ensuring ethical conduct, transparency, and accountability. The competence of the IAF team, manifested in their skills and expertise, is a critical stakeholder attribute reflected in the quality of internal reports. These reports ensure transparency and accountability, fostering EA reliance. Similarly, the IAF team's WP significantly impacts the report's quality, which in turn fulfills stakeholder expectations for ethical conduct and transparency.

ST explains how WP leads to high-quality reports, mediating the relationship between WP and REL, as Eas relies on the IAF team to uphold accountability. From the same perspective, effective ICSE, implemented by the IAF team, underpins the production of high-quality reports that meet stakeholder expectations. These reports reinforce ethical conduct and accountability, which are critical for EA reliance. Furthermore, Corporate Governance Quality fosters an environment of trust and accountability, aligning with stakeholders, including EA, expectations. Quality reports derived from effective CGQ ensure transparency and reduce misinformation risks.
ST supports the hypothesis that quality reports mediate the relationship between OBJ, COMP, WP, ICSE, CGQ, and REL by demonstrating how IAF characteristics, as a key stakeholder, influence EA decisions as another key stakeholder through the provision of reliable and transparent reports. It is a way to fulfill various stakeholders' goals rather than merely those of shareholders Kaawaase et al., 2021).

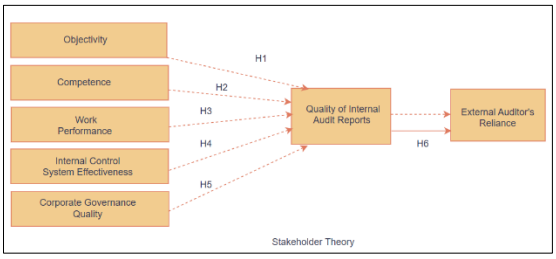


Fig. 1: Research Model

3.1 Objectivity, Quality Report, and Reliance

The AICPA, ISA 610, and PCAOB are all audit standards that refer to the significance of reliance. However, their permission of reliance is conditioned on several factors, particularly OBJ, competence, and work performance (Breger et al., 2020). Additionally, various researchers found that External Auditors' (Eas) REL and QR are highly dependent on OBJ, among other factors. For example, Ashfaq et al. (2023) found a substantial association between OBJ of the Internal Audit Function (IAF) and Eas' REL. Kaawaase et al. (2021) observed that internal auditor autonomy (as an indication of internal audit quality) is significantly associated with financial reporting quality. Breger et al. (2020) unearthed that external auditors manifest an increased propensity to place reliance on the internal audit function when it adheres comprehensively to the standards by the Institute of Internal Auditors. This, consequently, exerts an impact on the cognitive appraisals and judgments regarding the internal audit's competence, OBJ, and the ultimate decision to place REL on its findings. Moreover, Eas tend to display an increased inclination to REL upon IAFs when internal auditors exhibit an absence of potentially conflicting duties—a discerning aspect closely associated with OBJ, especially when such duties fall outside the ambit of the IAF. The findings of Hanif (2020) validate the significance of OBJ within the IAF in Pakistan, underscoring its substantial impact on shaping the judgment and decisions of Eas. Additionally, producing high-quality reports encourages Eas to rely on these reports, saving time and money and representing another competitive advantage.
These insights lead the current researcher to hypothesize that objectivity may influence the quality level of internal audit reports, which in turn may affect the extent to which Eas trusts the IAF's reports. However, further data, particularly from Saudi Arabian entities, is needed to draw definitive conclusions. Thus, the proposed framework, Figure 1, and hypotheses are as follows:
H1: The quality of internal audit reports mediates the relationship between the internal auditor's objectivity and the external auditors' reliance on the internal audit function.

3.2 Competence, Quality Report, and Reliance

The AICPA, ISA 610, and PCAOB are all audit standards that refer to the significance of competence as a critical factor influencing reliance (Breger et al., 2020; Bissol & Oliveira, 2022).
Empirical studies also highlight the dependence of Eas' reliance and IRQ on COMP. For instance, Ashfaq et al. (2023) found a positive relationship between the COMP of the Internal Audit Function and reliance. Kaawaase et al. (2021) concluded that internal audit quality, in terms of COMP, significantly impacts financial reporting quality. Bazhair (2022) indicated that financial expertise strongly correlates with financial performance in Saudi Arabia. Abdulai et al. (2021) argued that adherence to reporting standards is influenced by staff experience and knowledge, emphasizing that those with strong accounting backgrounds provide higher-quality reports. Alzeban (2019) demonstrated that the interplay between IA COMP and compliance significantly affects financial report quality. Setiyawati et al. (2020) also found a significant positive effect of internal accountants' COMP on financial reporting quality. Ashfaq et al. (2023) found that Increases in competence lead to higher IAF effectiveness. In contrast, Hanif (2020) noted that COMP does not influence Eas' judgment in Pakistan.
Based on these arguments, competence is perceived as a crucial factor influencing Eas' REL and QR, but further evidence, particularly in Saudi Arabian companies, is required. Thus, the following hypotheses are proposed:
H2: The Quality of Internal Audit Reports mediates the relationship between Internal Auditors' Competence and the External Auditors' reliance on the internal audit function in KSA.

3.3 Work performance, quality report, and Reliance decision

Different standards, such as PCAOB, ISA 610, and AICPA, emphasize the role of WP as a critical factor influencing the reliance decision (Breger et al., 2020; Bissol & Oliveira, 2022). WP reflects the quality of the worker or employee's performance and the quantity of work and tasks they produce compared to the standards and determinants set for this purpose. (Diem et al., 2023). Empirical evidence underscores the importance of WP for introducing quality reports. For example, Kateb and Belgacem (2023) and Ullah et al. (2022) suggested that exceptional audit quality, coupled with IFRS adoption, enhances financial performance. Hanif (2020) highlighted the significant impact of WP on Eas' judgment in Pakistan. Ashfaq et al. (2023) identified a direct correlation between WP of the IAF and reliance. Abdulai et al. (2021) noted that staff integrity (linked to WP) positively affects financial reporting proficiency by ensuring efficient audits and adherence to reporting rules, which enhances reporting quality. Kaawaase et al. (2021) found a significant association between internal audit quality (measured through WP) and financial reporting quality. Mapuli (2023) observed that effective IAF positively influences Eas' reliance in Tanzanian companies.

Based on these arguments, WP is proposed as a crucial determinant of Eas' reliance through the quality report, requiring further evidence in Saudi Arabian organizations. Thus, the following hypotheses are proposed:
H3: The Quality of Internal Audit Reports mediates the relationship between the Internal auditor's work performance and the External auditors' reliance on the internal audit function in KSA.

3.4 Internal control system, Quality Report, Reliance

According to ISA (315), Eas must be familiar with a firm's Internal control system effectiveness (ICSE) to identify and assess risks of significant misstatement in financial statements. The COSO Framework highlights that a key prerequisite of ICSE is the establishment of clear objectives, enabling targeted internal controls to mitigate risks (Idowu et al., 2022; Quick & Henrizi, 2019). A lack of clear rules can erode stakeholder trust (Ashfaq et al., 2023). A well-functioning ICSE allows adjustments in audit procedures, reducing the extent of audit work required by Eas (IAASB, 2013). Quick and Henrizi (2019) empirically confirmed that a strong ICSE fosters better cooperation between internal and external auditors due to lower control risk, enhancing confidence in IAF and increasing Eas' trust. Conversely, Ashfaq et al. (2023) found that while ICSE is significantly associated with IAF effectiveness, it does not directly correlate with reliance. Similarly, Siahaya & Sandanafu (2022) observed no significant impact of ICSE on financial statement quality, and Vamela and Setiyawati (2021) reported no significant effect on the tendency for accounting fraud. Based on these arguments, ICSE is expected to influence Eas' trust through the availability of quality internal reports, though additional evidence is needed in the Saudi context. Thus, the following hypotheses are proposed:
H4: Internal Control System Effectiveness has a direct positive effect on the Quality of Internal Audit Reports.

3.5 Corporate Governance, quality report, and reliance

The implementation of superior CGQ mechanisms by boards of directors significantly enhances the quality of financial reporting and bolsters Eas' confidence (Levit, 2020). Effective corporate governance practices, combined with adherence to International Financial Reporting Standards (IFRS), catalyze improved financial performance in manufacturing enterprises (Kateb & Belgacem, 2023; Ullah et al., 2022). The principles of good governance and accounting standards have a positive effect on the quality of financial reports produced, as indicated by Setiawati et al. (2020).
Additionally, Breger et al. (2020) demonstrated that Eas are more inclined to rely on the IAF when it adheres to the Institute of Internal Auditors (IIA) standards, which are integral to CGQ. Gardi et al. (2023) observed a positive impact of CGQ on IFRS adoption, which subsequently enhances the quality of financial reporting in private banks. Furthermore, robust governance mechanisms are critical to preventing fraudulent financial reporting, with Internal Audit playing a key role (Alzeban, 2019). Kaawaase et al. (2021) also highlighted the importance of board expertise and performance in improving financial reporting quality.
Based on these arguments, CGQ is expected to influence Eas' REL and QR, but further evidence is required in the Saudi Arabian context. Therefore, the following hypotheses are proposed:
H5: The Quality of Internal Audit Reports mediates the relationship between Corporate Governance Quality and the External auditors' reliance on the internal audit function.

3.6 Internal Report Quality and Reliance

Reporting Quality refers to the reliability, accuracy, and applicability of financial information provided in financial reports, including note disclosures. High-quality financial reporting offers a faithful representation of an organization's economic activities and financial condition during and at the end of the reporting period (CFA, 2024). In this research, the Quality of Internal Audit Reports serves as the mediator variable, closely associated with FRQ. FRQ ensures that financial reports reflect the economic reality of an organization. This enables stakeholders to make well-informed decisions (Gardi et al., 2023). IAF needs to produce Fraud-Free Reporting. Fraud, particularly in audit contexts, undermines FRQ. Fraud involves deliberate misstatements or omissions in financial reports designed to mislead users. It can take forms such as reporting fraud (e.g., intentional misstatements) or asset misuse (Vamela & Setiyawati, 2021). High quality demands that financial reports remain free from such distortions, to ultimately ensure reliability and trustworthiness.
The global framework known as FRSplays a valuable role in improving FRQ by promoting transparency, comparability, and integrity in financial reporting (Abed et al., 2022). IFRS Benefits include harmonized global standards, enhanced transparency, and adherence to internationally recognized principles, fostering consistency and comparability (Gardi et al., 2023). By aligning with global standards like IFRS and fostering transparency, organizations can enhance the quality of their financial disclosures. This, in turn, supports informed decision-making, promotes trust, and strengthens financial performance in the global market. Saudi Arabia's Adoption of IFRS has led to improved transparency and regulatory compliance, enhancing both stakeholder confidence and financial performance (Kateb & Belgacem, 2023; Nurunnabi et al., 2022).
In addition to accuracy, when internal reports are described with high quality, this description may implicitly reflect several notions, including a robust computerized accounting system, staff integrity, collecting quality data, and hiring knowledgeable staff (Abdulai et al., 2021). According to IASB, valid Eas decision regarding the use of Ias report requires that Financial reporting information must be clear in meaning and accurate in content, as well as relevant to the subject of the report and other factors that reflect credibility and perfection in the reports. (Kaawaase et al., 2021). Empirically, Hamdallah (2020) found that the quality of the financial and accounting records, as an attribute of the IAF in the Emirati organizations, influences the reliance decision of Eas. Based on these articulations, it is obvious that Quality of Internal Audit Reports exerts a basic effect on the level of confidence of the external auditors in the IAF's work and hence the extent of Eas reliance.
From the RBT perspective, utilizing organizational resources like high-quality reports strategically reflects the capability of IAF's outputs. Effective IRQ reflects thorough audits, which builds trust and REL from Eas—a core competency and competitive advantage. The Quality of Internal Audit Reports is an inherent capability (Wernerfelt, 1984)(1984) that reflects the output of the internal audit process. As a capability, it enables External Auditors (Eas) to rely on the IAF's work.
Thus, the Quality of Internal Audit Reports plays a critical role in building Eas' confidence in the IAF and enhancing their reliance.
H6: Quality of Internal Audit Reports has a direct positive effect on the Reliance of external auditors on the internal audit function.

4. Methodology

The current study is built on scientific foundations by following positivist paradigm methodologies and the deductive approach to discover the truth and the extent of correlation between variables through Resource-Based theory and Stakeholder theory. This structure of relationships between variables based on theories explains the causal relationship between internal audit characteristics such as objectivity, competence, work performance, and the effectiveness of the control and governance system, and their impact on quality reports and the external auditors' reliance.

Data Collection Methods: A quantitative methodology was employed to analyze numerical data and establish relationships among variables. A structured, closed-ended questionnaire was developed to ensure tailored insights into the Saudi business environment. The questionnaire was developed using previously validated scales: internal report quality from (Kaawaase et al., 2021); and reliance from (Azad, 2017), while work performance, Competence, and objectivity are employed from (Suwaidan & Qasim, 2010). The internal control system's effectiveness from (Vu et al., 2020) And finally, corporate governance from (Elzahaby, 2021) . The questionnaire was emailed to Saudi CPA audit managers to maximize participation, followed by phone call reminders to improve response rates. This multi-contact approach enhances response quality and reduces nonresponse bias.

Sample Size Justification: The study adopts a census approach, targeting 376 Saudi audit-related firms, ensuring representativeness and generalizability. This comprehensive sampling strategy eliminates selection bias and strengthens external validity. The sample size aligns with Hair et al. (2021) recommendation, a minimum of 10 responses for each item (370). The study captures related data at a single point in time, enhancing hypothesis testing and examining the role of mediation (IRQ) in external auditors' reliance on internal. By employing rigorous data collection techniques and a robust sampling strategy, the study ensures reliable, generalizable, and statistically sound findings that contribute to understanding audit practices in Saudi Arabia's regulatory and corporate landscape. Also, prior to releasing the final survey distribution, the measurement scales were subjected to reviews by academic professionals who were familiar with the Saudi auditing environment. The pilot test was also done with a group of a few Saudi CPA auditors to check the clarity of the question, cultural response, and conceptual consistency. The questionnaire was developed using feedback on this process for better construct validity.

5. Results and Discussion

Data screening is a crucial step in statistical analysis. Any missing data and irrational, inconsistent, and/or incompatible data should be handled carefully to obtain precise results. The researcher collected a dataset of 620 responses, 250 were removed due to incomplete data. An additional 20 response cases were removed as outliers or had missing responses on at least one whole construct. The final valid response cases reached 350 valid cases.

5.1 Demographic and Company Information

The demographic data analyzed in this study illustrate the attributes and characteristics of the sample. It gives a complete picture of the context of audit firms in the Kingdom. Table number one below shows the complete diversity among participants in terms of their experience, ages, certifications, and competence, which also gives a complete and accurate picture of the reality and the specific aspects of demographic data. Most participants/ respondents in this study had experience and were qualified to perform audit work, which enhances the credibility of the research and its results. Therefore, it is possible to study how factors such as age, certifications, and others affect the main variables in the study, such as reliance on the internal audit function and how the specialists assess the characteristics of internal audit.

Table 1: Demographic Analysis

Category	Subcategory	Frequency	Percent (%)
Gender	Male	224	64.0
	Female	122	34.9
	Missing	4	1.1
Age	Under 30	42	12.0
	30+	134	38.3
	40+	132	37.7
	50+	42	12.0
Education	Master's/PhD/Higher	158	45.1
	Bachelor/College	180	51.4
	High School/ diploma /diplomaDiploma or Equivalent School/Diploma/Equivalent	12	3.4

5.2 Measurement Model

This study followed Gerbing and Anderson's (1988) two-step ways to test the SEM model, measurement, and structural model. First, a measurement model was established and its psychometric properties were examined through Confirmatory Factor Analysis. This model is used to obtain internal consistency reliability (measured by composite reliability and Cronbach's alpha), proof of convergent validity (outer loading and average variance extracted) and illustration of discriminant validity.

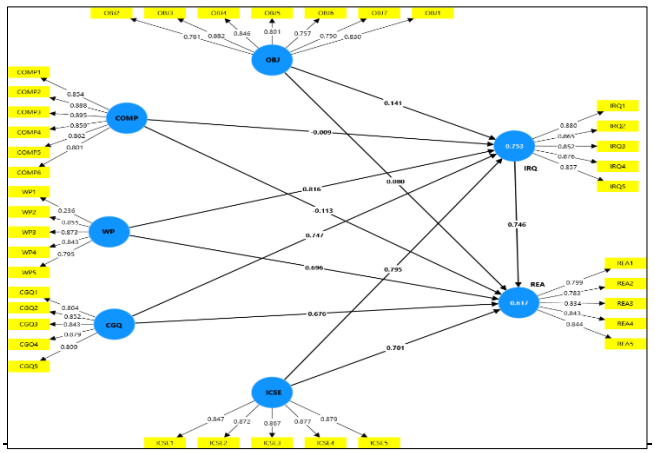


Fig. 1: CFA – Outer Loadings and Correlations

Reliability tests: Table 2 indicates that all values related to composite reliability have indeed exceeded the threshold limit, and all variables had a high degree of reliability and internal consistency. The analysis results were clear, with values ranging between 0.782 and 0.931. This indicates that all data for the current study is strong, coherent, and can be accurately relied upon.

Table 2: Reliability and Validity tests

Variable	No of Indicators	Composite reliability	Cronbach's alpha	AVE
CGQ	5	0.895	0.894	0.702
COMP	6	0.970	0.931	0.740
ICSE	5	0.920	0.919	0.754
IRQ	5	0.917	0.917	0.750
OBJ	7	0.955	0.912	0.648
REA	5	0.881	0.879	0.674
WP	5 (4)	0.856	0.782	0.578/0.717

Convergent Validity Tests: In the Convergent Validity test, which indicated the clarity of the outer loadings for each indicator of the study, the values were excellent and ranged between 0.750 and 0.888. However, the WB1 indicator had a somewhat weak value of 0.236, which made us remove it from the model. Table number 1 shows that the Variance AVE was also good and ranged between 0.648 to 0.754. This also clearly reflects that all variables of the current study measure the concepts that should be measured accurately. Also, the decision to delete WP1 was a good decision because after it was calculated, the AVE value for the WP1 variable increased from 0.578 to 0.717. All the above is accurately shown in Table number one.

Discriminant Validity Tests: The Heterotrait-Monotrait Ratio (HTMT) method provides complementary insights to confirm that the constructions are conceptually and statistically distinct, strengthening the validity of the measurement model. A commonly accepted threshold for HTMT is ≤ 0.90; values exceeding the threshold indicate insufficient differentiation between constructions. As displayed in Table 2, most of the HTMT values for various constructions are below 0.90, indicating that each of the two constructions is distinct and separate from the others. Constructs like COMP, OBJ, and REA show excellent separation from others. ICSE vs IRQ (0.866) and IRQ vs WP (0.901) are near or slightly above the threshold. However, the content validity test of the constructs ensures they are theoretically distinct, and so are the measurement items for these constructs.

Table 3: The Heterotrait-Monotrait Ratios

	CG	COMP	ICSE	IRQ	OBJ	REA
CG						
COMP	0.056					
ICSE	0.883	0.049				
IRQ	0.824	0.037	0.866			
OBJ	0.167	0.591	0.191	0.135		
REA	0.760	0.121	0.777	0.828	0.110	
WP	0.821	0.062	0.819	0.901	0.089	0.788

5.3 Structural Equation Model

After confirming no validity issues in the measurement model, the next step is to run an SEM model to test the hypothesized relationships. The structural model includes assessing collinearity, coefficient of determination (R2 values), effect size (f2), and predictive relevance (Q2). Furthermore, the mediating role of the Quality of Internal Audit Reports is tested and introduced.

Constructs' Collinearity: In this part, the Variance Inflation Factor (VIF) values are very important points for properly evaluating multi-collinearity between predictor variables within a regression model in the present study. When two or more predictors (independent variables exhibit a clear and strong correlation with one another, multi-collinearity emerges during regression analysis as well. The main and real problem is that correlated variables may fail to provide clear or independent insights in the regression model, as the strong correlation between variables leads to significant challenges in fitting the model itself and interpreting it in a clear and easily understandable way. VIF is a notably strong tool that is commonly used as a method to test multicollinearity by identifying and revealing the strength of correlation between variables in different regression models.

A value of VIF that exceeds one indicates a certain degree of multicollinearity; higher values represent an indication of stronger multicol-linearity. Generally, values that are less than five are usually statistically acceptable. While VIF values that exceed five indicate severe

multicollinearity with statistical significance. SmartPLS requires the study variables to be largely independent before the structural model is set up. Table 3 illustrates all the VIF values and shows the suitability of conducting a Structural model.

Table 3: Collinearity for All Constructs

Variables	VIF
CGQ -> IRQ	3.197
COMP -> IRQ	1.431
ICSE -> IRQ	3.276
OBJ -> IRQ	1.473
WP -> IRQ	2.451

Figure 3 displays the Structural Model that links WP, COMP, OBJ, ICSE, and CGQ with reliance (REA) and quality of internal reports (IRQ).
The next step is to conduct the structural equation model with the mediating effect of IRQ.

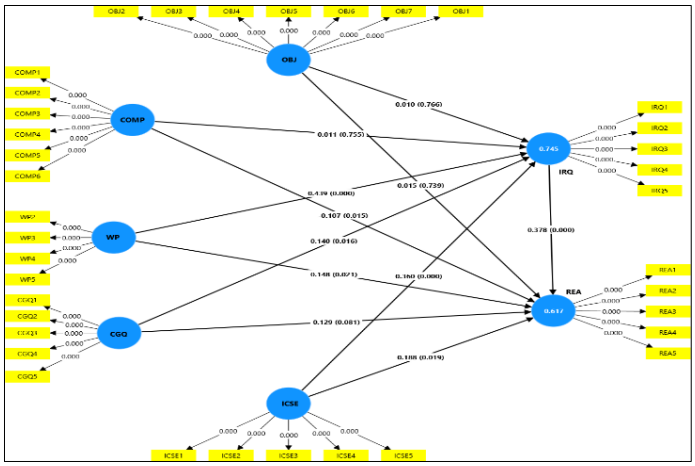


Fig. 3: Structural Model, Path coefficients, P-values

Figure 2 displays path coefficients and the corresponding significance level. These coefficients provide insight into the relationships between various constructs. According to Hair et al. (2021) recommendation, a set of 5,000 interactions bootstrapping procedure was conducted to assess and evaluate the relationship. The indirect effect is quantified by multiplying the path coefficients along the indirect path(s), as Table 4 below also illustrates the current situation.
Objectivity and competence show insignificance in their indirect relationships. First, COMP → REA (0.004, p=0.755) indicates that COMP has an insignificant indirect effect on REA. This implies that COMP does not influence REA via IRQ; it is not a strong contributor to reliance indirectly. Also, OBJ → REA (0.004, p=0.767) reflects that OBJ has an insignificant indirect effect on REA. Like COMP, OBJ does not impact REA through IRQ. That is, Objectivity is not a meaningful indirect influence on reliance. The indirect relationship CGQ REA (0.053, p=0.024) demonstrates that CGQ has a small but significant positive indirect effect on REA. This suggests that CGQ impacts REA through the IRQ. That is, improvements in CGQ indirectly increase REA by improving IRQ.
Similarly, ICSE → REA (0.136, p=0.000) shows that Internal ICSE has a moderate and highly significant positive indirect effect on REA. ICSE influences REA via IRQ as the mediator. That is, a strong internal control system improves IRQ, which in turn enhances reliance. Additionally, WP → REA (0.166, p=0.000) asserts a moderate and highly significant positive indirect effect on reliance. WP impacts REA via IRQ as the mediator. That is, higher work performance strengthens IRQ, leading to increased reliance.

Table 4: Strength of Indirect Relationships

	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P-values
WP -> REA	0.163	0.038	4.352	0.000 **
COMP -> REA	0.004	0.014	0.312	0.755
OBJ -> REA	0.006	0.012	0.296	0.767
ICSE -> REA	0.132	0.035	3.902	0.000**
CGQ -> REA	0.053	0.024	2.251	0.024 **

Explanatory and Predictive Power for the model is displayed in Table 5. For IRQ, the explanatory power, R2, is 0.617. This means 61.7% of the variance in IRQ is explained by its predictors, OBJ, COMP, WP, ICSE, and CGQ, which indicates a moderate explanatory power. For IRQ, where R2 adjusted is 0.610. Similarly, the adjusted R2 indicates a good balance of predictors for this construction.
Q2 predict (Stone-Geisser's Predictive Relevance) evaluates the model's predictive accuracy using a blindfolding procedure. Q2 prediction, as shown in Table 5, indicates predictive relevance for the dependent variable. To what extent the observed values are reconstructed by the model is the main aim of Q2. For IRQ, the Q2 prediction is 0.555. This positive value indicates that the model also has predictive relevance for IRQ.

Table 5: Explanatory and Predictive Power

Outcome	R^2	R^2 adjusted	Q^2predict
IRQ	0.617	0.610	0.555

Hypothesis Testing: As displayed in Table 6, H1, the quality of internal audit reports (IRQ) mediates the relationship between the internal auditor's objectivity (OBJ) and the external auditors' reliance on the internal audit function (REA). It is rejected as the mediation effect (OBJ-> IRQ -> REA) is statistically insignificant (Path coefficient =0.004, P=0.767, indicating that objectivity, as an internal audit

characteristic, does not independently influence reliance or internal report quality in the Saudi context. The unpronounced role of objectivity may be attributed to various reasons: objectivity is an intangible aspect; it relates to individuals' ethical stance and mental attitude rather than physical attributes. It involves a moral-political dimension – auditors uphold ethical standards, act independently, and avoid conflicts of interest– ensuring trustworthiness in their role (Rolin, 2021). It is the ability to make decisions based on observable phenomena and information, rather than personal biases or subjective interpretations (Kaur & Singh, 2019). Thus, it embodies qualities like impartiality, fairness, and independence, which cannot be directly observed or measured in a tangible way but are inferred through actions, decisions, and adherence to ethical standards.

From an empirical standpoint, the observed lack of significant impact of objectivity in the current study contrasts with findings from several studies conducted in other countries. For example, Hanif (2020) identified that objectivity significantly impacts the EAs' judgment in Pakistan. Similarly, in Pakistan, a positive relationship has been identified by Ashfaq et al. (2023) between IAF's objectivity and reliance. Furthermore, Al-Shaheen and Bai (2020) confirmed that in China, where they noticed external auditing demands the assurance of professionalism, independence, and authenticity in the internal audit function. While in Saudi Arabia, Almahuzi (2020) ensures that independence (closely related to objectivity) is identified as one of the three key external factors affecting internal audit effectiveness. However, top management support was found to have the most significant external impact, possibly overshadowing independence/objectivity in practice. Resource-Based Theory (RBT) highlights that competitive advantage stems from resources that are valuable, rare, and difficult to imitate. Objectivity, as an internal audit characteristic, fits this description. It is often considered a vital intangible resource that enhances the credibility of the internal audit function (Almahuzi, 2020). Professional standards such as ISA 610, AICPA, and PCAOB also stress its importance for external auditor reliance (Breger et al., 2020). However, the results suggest that in practice, objectivity may not be fully recognized or valued as a driver of reliance.

The insignificant relationship between OBJ and REA through IRQ may be attributed to how objectivity is perceived and measured. Unlike more visible traits like work performance or internal control effectiveness, objectivity is harder to assess directly. In the Saudi context, external auditors might prioritize more concrete indicators of audit quality. Cultural and organizational norms may also play a role.

Other factors, rather than objectivity, specifically the effectiveness of the internal control system and work performance, may hold greater weight in their decision-making process. In the Saudi Arabian context, organizational hierarchies and cultural norms can shape the perception and role of objectivity. In environments with strong hierarchical structures, abstract qualities like objectivity might carry less weight in decision-making. Instead, external auditors may depend more on observable outcomes. Internal auditors may encounter difficulties in maintaining full independence in environments where familial or hierarchical relationships are deeply rooted (Ajao & Ejokehuma, 2021; Bazhair & Alshareef, 2022). As an inherent characteristic, objectivity may be embedded in the system but is often not regarded as a distinct determinant of reliance due to prevailing cultural and organizational practices in Saudi Arabia.

From an RBT viewpoint, this suggests that while objectivity is a valuable internal resource, it must be both evident and strategically communicated to influence reliance. Organizations may need to enhance how objectivity is demonstrated and aligned with external auditors' expectations to unlock their full value.

Objectivity is hard to observe. This may explain why it did not lead to greater external auditor reliance. To fix this, organizations should make objectivity more visible. Internal audit teams should document how they stay independent. This includes reporting lines, conflict-of-interest checks, and avoiding involvement in management decisions. Regular meetings with external auditors can help highlight objectivity. Internal auditors should also align their practices with ISA 610 and IIA standards. Reporting to the audit committee, not management, further shows independence. These steps help make objectivity a visible and trusted quality. This may encourage external auditors to rely more on internal audit work.

H2: The Quality of Internal Audit Reports (IRQ) mediates the relationship between the Internal auditor's Competence (COMP) and the External auditors' reliance on the internal audit function in KSA (REA). It is rejected because the strength of this relationship is insignificant. The indirect path of internal auditor competence (COMP) and external auditors' reliance through the internal audit report quality did not have a significant effect. This indicates that the competence of internal auditors does not have a measurable impact on how external auditors rely on the internal audit function. From an empirical standpoint, the results are contradictory. In Pakistan, Ashfaq et al. (2023) identified a positive relationship between IAF's Competence and Reliance, whereas Hanif (2020) showed that competence has no impact. In Saudi Arabia, Almahuzi (2020) claims that the competence of internal auditors is the most significant internal factor influencing internal audit effectiveness. Competence not only affected effectiveness directly but also influenced other internal factors (motivation, team size, IT use). The rejection of the mediating role of internal audit report quality (IRQ) between competence (COMP) and external auditors' reliance (REA) may seem unexpected (Ashfaq et al, 2023; Hanif, 2020). Competence is often viewed as essential to internal audit effectiveness. However, several organizational and psychological reasons may explain this result. Highly competent internal auditors tend to be more independent in their judgment. This independence may lead to differences in methods or conclusions compared to external auditors. As a result, external auditors may see their work as misaligned. Misalignment can reduce reliance, even when competence is high. External auditors may also view competent internal auditors as more technical or detailed. This can create a perception that the internal audit work needs closer review. Instead of trusting it more, external auditors might verify it more thoroughly. This reduces the practical value of competence in encouraging reliance. Another issue may be professional dynamics. Competent internal auditors may assert more control over their work. This could be seen as limiting collaboration. External auditors may respond by relying less on, to maintain their audit standards. From a Resource-Based Theory (RBT) view, competence is a valuable internal resource (Almahuzi, 2020). But it must be recognized and integrated by external auditors to influence reliance. If competence is not supported by mutual trust and aligned practices, its impact is limited. This suggests that competence alone is not enough. It needs to be matched with clear communication, shared expectations, and consistent reporting quality. Without this, external auditors may not rely on internal audit work, even if it is highly competent. Competence alone may not lead to reliance. It must result in outputs that meet external auditors' needs. Internal auditors should use standard reporting formats. These formats should match what external auditors expect. Joint training can help both teams share knowledge and methods. Early coordination in audit planning also builds alignment. Peer reviews or benchmarking can assess whether internal work meets external standards. These actions help turn competence into trusted output. This can improve report quality and increase the chance of reliance.

H3: The Quality of Internal Audit Reports (IRQ) mediates the relationship between the Internal auditor's work performance (WP) and the External auditors' reliance on the internal audit function in KSA (REA). It is accepted because the strength of this relationship is positive and significant. This suggests that when internal auditors demonstrate high work performance, the quality of the internal audit reports they produce improves, enhancing external auditors' confidence and reliance on the internal audit function. The findings suggest that external auditors are more likely to rely on their work when they perform their tasks effectively, delivering accurate, thorough, and timely audit reports. This reliance reflects external auditors' confidence in the IAF's ability to meet professional standards and support the overall audit process. In the Saudi Arabia context, external auditors view high work performance by the IAF as a strong indicator of quality and reliability.

The acceptance of this hypothesis highlights that external auditors in Saudi Arabia prioritize demonstrable performance over more subjective or intangible attributes like objectivity, which showed no significant impact. Empirically, the positive relationship between work performance and reliance has been supported by various studies in different countries. For example, Hanif (2020) found that work performance significantly affects external auditors' judgments in Pakistan. Similarly, Ashfaq et al. (2023) reported a positive relationship between IAF work performance and reliance in Pakistan. Hamdallah (2020) confirmed that quality and supervision, as aspects of work performance, influence external auditors' reliance decisions in The First Abu Dhabi Bank in the UAE. Mapuli (2023) demonstrated that IAF effectiveness, a measure of work performance, impacts external auditors' reliance on Tanzanian-listed companies based on the audit risk model. In Saudi Arabia, Kateb and Belgacem (2023)Identified audit quality, a reflection of work performance, as a key driver of financial performance in Saudi Arabia. Also, Al-Matari et al. (2022) internal audit professional certificate (among others) has a positive and significant association with performance in Saudi Arabia.

H4: The Quality of Internal Audit Reports (IRQ) mediates the relationship between Internal Control System Effectiveness (ICSE) and the External auditors' reliance on the internal audit function in KSA (REA). It is accepted because the strength of this relationship is positive and significant. This indicates that when the internal control system is effective, the quality of the internal audit reports produced by the internal audit function improves, which subsequently enhances the external auditors' reliance on these reports. The acceptance of H4 can be interpreted in several ways: Effective internal controls establish an environment that upholds financial and operational data's accuracy, reliability, and transparency. Recognizing this effectiveness, external auditors are more likely to rely on the IAF, as robust internal controls minimize the risks of errors, fraud, and mistakes. Second, a well-functioning internal control system provides a dependable framework for external auditors to assess organizational risks and controls. External auditors view effective internal controls as evidence of a mature, professionally managed IAF operating within a structured and reliable environment. Lastly, in Saudi Arabia, where regulatory scrutiny and corporate governance initiatives are increasing (Beyond Governance, 2023) internal controls are critical for compliance. External auditors may perceive ICSE as a key indicator of an organization's commitment to regulatory and governance standards, enhancing the IAF's credibility while minimizing errors and fraud.

Empirically, while studies focusing on the direct and indirect impact of ICSE are limited, the positive relationship between ICSE and REA has been supported in various contexts. For example, Quick and Henrizi (2019) identified that the effectiveness of internal control systems positively influences the confidence of external auditors in Germany. However, contrasting results have been reported in other studies. Ashfaq et al. (2023) found that while internal control system assessments enhance internal audit effectiveness in Pakistan, they lack statistical significance regarding reliance. Similarly, Vamela and Setiyawati (2021) observed no significant impact of ICSE on the tendency for accounting fraud, attributing this to the absence of well-defined rules, which undermines the reliability of internal control systems for stakeholders.

H5: The Quality of Internal Audit Reports (IRQ) mediates the relationship between Corporate Governance Quality (CGQ) and the External auditors' reliance on the internal audit function (REA). It is accepted because the strength of this relationship is positive and significant. This series of relations highlights that the quality of reporting acts as a bridge between corporate governance and auditor confidence. Effective corporate governance contributes to the production of high-quality audit reports. These high-quality reports then enhance reliance. As a framework, corporate governance ensures accountability, transparency, and ethical management practices, instilling confidence among stakeholders. High-quality governance, characterized by well-defined roles, responsibilities, and oversight mechanisms, diminishes inefficiency and bias in the internal auditing operations (Akinto, 2021; Zhou et al., 2021). This allows external auditors to view corporate governance quality (CGQ) as a reliable indicator of the organizational environment. A robust governance system optimizes resource allocation, enhances financial transparency, and positively impacts disclosure practices and reporting timeliness (Salehi et al., 2023).

According to Saudi Arabia, Vision 2030, which mainly focuses on governance frameworks as a cornerstone of market transparency and economic reform (Wafeq, 2023). Organizations with strong governance practices are better aligned with this initiative, enhancing the credibility and reliability of their IAF in the eyes of external auditors. These factors collectively strengthen the perceived reliability of the IAF. Empirically, while studies focusing on the direct and indirect impact of CGQ are limited, some research highlights its positive effects, Quick and Henrizi (2019) found that CGQ and the effectiveness of internal control systems significantly influence the confidence of external auditors in Germany. Similarly, Kateb and Belgacem (2023) demonstrated that board characteristics, a key component of corporate governance, positively affect the financial performance of enterprises in Saudi Arabia.

H6: Quality of Internal Audit Reports (IRQ) directly affects Reliance on internal audit function (REA): It is accepted because the strength of this relationship is positive and significant. High-quality audit reports (tangible work) that are clear, accurate, and well-supported by evidence help external auditors form a reliable understanding of the organization's operations and risk environment. This trust allows external auditors to use internal audit work more extensively, improving the efficiency and effectiveness of the external audit process. In Saudi Arabia, where there is a strong push for transparency and improved governance under Vision 2030, organizations prioritizing quality in their internal audit reports are likely to experience a higher level of trust from external auditors. From an empirical perspective, the literature lacks studies focusing on the relationship between report quality and reliance. However, among the most related studies, Mapuli (2023) identified a positive and clear connection between the overall effectiveness of the IAF and external auditors' reliance on Tanzanian-listed companies using the audit risk model. Similarly, Kaawaase et al. (2021) reported a significant association between internal audit quality—implicitly including quality reports—and financial reporting quality. Theoretically, regulators and professional standards, such as the International Standard on Auditing (ISA) 610 (revised 2013), emphasize the importance of addressing the risk of material misstatements in financial statements as a key factor in leveraging the IAF's efforts. In this context, quality internal audit reports indicate that internal audit activities align with established criteria (ISA 610.18).

Table 6: Hypotheses Testing

Hypothesis	Relationship	Strength	P-Value	Status
H1	OBJ-> IRQ -> REA	0.004	0.767	Rejected
H2	COMP -> IRQ -> REA	0.004	0.755	Rejected
H3	WP -> IRQ -> REA	0.166	0.000 **	Accepted
H4	ICSE -> IRQ -> REA	0.136	0.000**	Accepted
H5	CGQ -> IRQ -> REA	0.053	0.024 **	Accepted
H6	IRQ -> REA	0.378	0.000**	Accepted

** accepted at 0.05,

The strength of the Internal control system, quality of corporate governance, in addition to work performance, are key elements that affecting on external auditors' direct and indirect reliance on internal quality. The mediating role of internal quality is significant for the effectiveness of the internal control system, corporate governance quality, and work performance, reinforcing its importance in the model.

Accepted hypotheses show that factors, directly and indirectly, improve reliance, validating their importance. On the other hand, rejected hypotheses indicate that these characteristics have no unexpected impact on reliance or internal quality.
External auditors prioritize work performance and internal control system effectiveness because they provide tangible proof of audit quality. Objectivity and competence do not significantly contribute to reliance, and competence even shows a negative direct relationship. While theoretically important, objectivity and competence may be undervalued due to cultural norms emphasizing differences in authority and formal compliance.
Saudi Arabia's hierarchical and relationship-driven culture influences audit practices. Wasta (personal connections) and deference to authority may limit internal auditors' independence, reducing objectivity's role in external auditors' reliance (Ajao & Ejokehuma, 2021; Bazhair & Alshareef, 2022). Additionally, the country's high power distance fosters centralized decision-making, making it difficult for internal auditors to report unfavorable findings. This may explain why objectivity and competence were insignificant in influencing reliance, as external auditors prioritize work execution and internal controls over theoretical independence. Moreover, uncertainty avoidance encourages strict adherence to procedures, reinforcing internal control system effectiveness as a key factor in external auditors' reliance (Kaur & Singh, 2019). Saudi Arabia's Vision 2030 emphasizes transparency, accountability, and investor confidence, strengthening corporate governance frameworks (Wafeq, 2023). The Saudi Corporate Governance Code (SCGC) and stricter Capital Market Authority (CMA) regulations have enhanced corporate governance quality (CGQ), which significantly improves internal audit report quality (IRQ) and external auditors' reliance (Salehi et al., 2023). However, governance effectiveness depends on audit committee expertise, independence, and active oversight, rather than mere structural existence (Kateb & Belgacem, 2023) Well-defined governance mechanisms enhance audit credibility by ensuring internal audit independence and report reliability.

5.4 Limitations

This research offers important views on the factors affecting external auditors' reliance, considering the mediating role of internal report quality, yet there are some limitations. Contextualizing these limitations reveals the findings and highlights future research opportunities to build on and expand the work described here. The findings are limited to Saudi Arabia's regulatory, cultural, and economic environment and may not generalize to other regions. Nevertheless, the opportunity that this focus provided for a very detailed study of the dynamics of the quality of internal reports is worth an attempt. A cross-sectional design is used, which is efficient in terms of time and labor, but precludes temporal changes in studies. By focusing only on five internal audit characteristics (work performance, competence, objectivity, internal corporate governance quality, and control system effectiveness), the study does not account for other factors (e.g., regulatory changes, economic conditions, ethical standards, and technological proficiency). The study did not examine potential moderators. These limitations suggest that future studies can extend the scope and deepen the understanding of these dynamics.

5.5 Practical implications

Organizations should improve internal audit work performance, internal control systems, and the quality of governance. This can enhance the quality of internal audit reports and increase external auditors' reliance (Noor et al., 2024). To strengthen internal control systems, companies can conduct regular risk assessments and implement automated control tools (Alzeban & Gwilliam, 2014). Using control self-assessment (CSA) techniques can also help staff identify weaknesses early (Spira & Page, 2003). For governance improvement, organizations should enforce audit committee independence and establish clear reporting structures (Cohen et al., 2004). Targeted training is essential. Programs should focus on audit planning, risk-based auditing, and communication skills. These should also address cultural challenges that may affect independence, such as reluctance to challenge senior management (Arena & Jeppesen, 2010). Awareness campaigns and ethics workshops can help shift such norms. Technology can also support audit effectiveness. Adopting AI tools can improve anomaly detection and audit documentation. Blockchain can ensure the integrity of audit trails and internal records (Thottoli et al., 2022). These tools help reduce errors and increase transparency. To promote objectivity and competence, organizations should set clear policies. Regular independent reviews by third-party experts can assess internal audit quality. Offering certification programs (e.g., CIA or local equivalents) ensures continuous professional development and adherence to standards (IIA, 2020).

6. Conclusion and Future Work

The effectiveness of the internal control system and work performance are critical drivers of high-quality internal audit reports, which in turn strongly influence external auditors' reliance. Additionally, corporate governance quality (CGQ) positively impacts reliance, with its effect being more pronounced when mediated through IRQ. Keeping the internal audit reports at high-quality levels is important for building trust with external auditors and optimizing the pivotal role of.
Nonetheless, competence and objectivity demonstrated no significant impact on reliance, suggesting that external auditors prioritize structured controls, governance quality, and tangible audit performance over abstract auditor attributes in the Saudi Arabian context. Furthermore, the model effectively explains and predicts the variance in reliance. It ensures the role of keeping the internal controls effective and having strong work performance, in addition to the quality level of governance frameworks. All such factors foster audit reliability.
With such actionable insights, Saudi organizations can strengthen their internal audit functions, enhance transparency. Given the increasing global focus on corporate accountability and risk management, future research should explore cross-country comparisons to identify cultural and regulatory variations influencing audit reliance. Additionally, investigating the integration of emerging technologies—such as AI, data analytics, and blockchain—in enhancing IRQ and its acceptance by external auditors can offer critical insights into the future of auditing practices. Strengthening the internal audit function is a regulatory necessity and a strategic imperative for ensuring trust, efficiency, and sustainable business practices in an evolving global economy.

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