

INTERNAL AUDIT SYSTEM AND ITS IMPACT ON STAFF'S PERCEPTION: A CASE STUDY OF UNIVERSITY OF JAFFNA

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Abstract

*Whilst there have been many studies carried out to investigate to determine whether there is a link between internal audit and staff perception in developed universities, the empirical evidence on this area is very thin in Sri Lanka being a developing nation especially the higher education effective performance. Hence this study was undertaken with the intension of fulfilling the gap. Correlation model used in this study to identify the relationships among the variables and also the variables tested under Multiple Linear Regression model and descriptive analysis. The main objective of this study identifies the internal audit system and it's impact on staff perception of university of Jaffna. The results indicate that there is a positive impact of internal audit system and it's reaction on staff perception of Jaffna university R square value is 24% and significance level of 0.003, there is positive relationship between internal audit system and staff perception of Jaffna University ($r = 0.489^{**}$, $p < 0.01$). Further it found that the contribution of administration system review decrease when the staff perception increased. Quality of service being one of the perception variables does not indicate any significant impact or correlation with internal audit variables in this study. This study suggests to make the compliance of rules of internal audit mandatory among the internal audit system of Jaffna University.*

Keywords: *Internal Audit, Perception, Quality of Service, Staff's Satisfaction, Staff's Commitment*

INTRODUCTION

Internal auditing (IA) serves as an important link in the business and financial reporting processes of corporations and not-for-profit providers (Reynolds 2000). Internal auditors play a key role in monitoring a company's risk profile and identifying areas to improve risk management (Goodwin-Stewart and Kent 2006). The aim of internal auditing is to improve organizational efficiency and effectiveness through constructive criticism. IA has four main components: verification of written records, analysis of policy, evaluation of the logic and completeness of procedures, internal services and staffing to assure they are efficient and appropriate for the organization's policies; and reporting recommendations for improvements to management (Eden and Moriah 1996).

Institution of chartered accountants of Sri Lanka defined the auditing as an examination of financial statements of an entity by an appointed auditor for the purpose of expressing an independent professional opinion on the truth and fairness in pursuance of the appointment and in compliance with the law. Sebbowa, 2009 also defines "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management control and governance processes". He further mentions the principles of Internal audit to include; Integrity, Objectivity, Confidentiality and Competency. However, given that Internal Auditors are appointed by management, report to management, and are employees of an organizations, their objectivity is usually highly compromised. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Bou-Raad (2000) argued that the strength of an Internal Audit department must be assessed with respect to the level of independence it enjoys from management and from operating responsibilities. The IIA, the American Institute of Certified Public Accountants (AICPA) and others have likewise identified organizational independence as crucial to the viability of the internal audit function (Brown 1983). Auditors should be sufficiently independent from those they are required to audit that they can both conduct their work without interference, and – equally important – be seen to do so. Coupled with objectivity, organizational independence contributes to the accuracy of the auditors' work and gives employers confidence that they can rely on the results and the report.

Perception is our sensory experience of the world around us and involves both the recognition of environmental stimuli and actions in response to these stimuli. Through the perceptual process, we gain information about properties and elements of the environment that are critical to our survival. Perception not only creates our experience of the world around us; it allows us to act within our environment. Perception includes the five senses; touch, sight, taste smell and taste. It also includes what is known as perception, a set of senses involving the ability to detect changes in body positions and movements. It also involves the cognitive processes required to process information, such as recognizing the face of a friend or detecting a familiar scent.

Like most concepts within the social science disciplines, perception (or what other scholars refer to as social perception) has been defined in a variety of ways since its first usage. From the lay man's perspective, perception is defined as an act of being aware of "one's environment through physical sensation, which denotes an individual's ability to understand" (Chambers Dictionary). However, many social psychologists have tended to develop the concept around one of its most essential characteristics that the world around us is not psychologically uniform to all individuals. This is the fact, in all probability, that accounts for the difference in the opinions and actions of individuals/groups that are exposed to the same social phenomenon. At this point, it is important for you to take a look at some of these definitions in order to better appreciate the point being made here:

According to Nelson and Quick (1997: 83-84) "social perception is the process of interpreting information about another person." What this definition has clearly highlighted for your attention is that the opinions you form about another person depends on the amount of information available to you and the extent to which you are able to correctly interpret the information you have acquired. In other words, you may be in possession of the same set of information that other people have on a particular situation, person or group but still arrive at different conclusions due to individual differences in the capacity to interpret the information that you all have.

Rao and Narayan (1998) obviously share the main characteristics of the above definition. However, they emphasize that perception ranks among the "important cognitive factors of human behavior" or psychological mechanism that enable people to understand their environment. In their own words, "perception is the process whereby people select, organize, and interpret sensory stimulations into meaningful information about their work environment." They argue that perception is the single most important determinant of human behavior, stating further that "there can be no behavior without perception." Though focusing on managers in work settings, Rao and Narayan draw attention to the fact that since there are no specific

strategies for understanding the perception of others, everyone appears to be “left with his own inventiveness, innovative ability, sensitiveness and introspective skills to deal with perception.”

Statement of the Problem

Most Public Universities have functional internal audit departments with well qualified staff, charged with responsibility of providing management with re-assurance that internal control systems are adequate and quality of services is in place (IIA, 2009). There is however, continued poor staff performance (Audit General, 2008). This has put institution at risk of staff perception, employee dissatisfaction and poor service delivery (Kaplan, 2010).

The problem can be defined as internal auditing system that affects the staff of the University of Jaffna. The research problem for this study can be presentation in the question format as follows. Every organization is important to Auditing. If the organization achieves performance the organization has to control proper way. The internal audit is important to achieve their tasks. Here the internal audit how affects the University of Jaffna staff's perception. In current situation in modern world every organization are competitive with other organization. The important is earning good performance.

Research Question

Based on the research problem of the study, following research question (RQ) was formulated,

RQ₁: What extent internal audit system influence on the academic staff perception of the University of Jaffna?

Research Objectives

In this research, in line with the problem statement a few objectives outlined as the guiding principle to this study. The research objective is the answer to the research question, through the analysis and result of this research or what can be learned from this research. In order to answer the research questions, the following objective developed,

Main objective: To identify the internal audit system and it's Reaction on perception of staff in university of Jaffna.

Significance of the Research

This study attempted to identify how far internal audit affects on the University of Jaffna staff's perception and find out the cause for them, finding of this study could be able to provide much suggestion to the management of the University of Jaffna to make suitable alternative of take

corrective decision in the audit control system. This assisted them in them researching their objectives. The results of the study help the future researchers especially those who are researching in a similar area of internal audit system, staff perception as they can use this study as literature review.

The results of the study help identify gaps within the systems of internal audit in University of Jaffna. It is also the researcher belief that valuable benefits to management and those charged with governance in Institutions of Higher Learning emerge on how to streamline the systems of internal controls thus ensuring improved performance and ultimately ensure attainment of the Institutional objectives. The research sought to answer the question above. The study is valuable, management to identify some factors that cause dissatisfaction or satisfaction of internal audit works. The results of the study influence the policies and practices of internal auditors and others relating to hiring and retention of internal audit staff.

By identifying the type of attribution that causes internal auditors' dissatisfaction, management will acquire information about what actions to take to improve internal audit retention within University of Jaffna. This result in substantial savings for the organization in at least two ways:

1. Efficient focusing of retention efforts and resources on factors that caused satisfaction of internal auditors based on this study; and
2. Reduction of dysfunctional external turnover of internal auditors by mitigating significant causes of internal audit's dissatisfaction.

LITERATURE REVIEW

Theoretical Review

On the face of it, the university top management has the responsibility to make sure that all the movement and steps taken by them are good enough for the survival and development of academic. Although, the entire university has to function towards those contexts, the top management has sole responsibility to lead and put on them in way to university structure.

There are number of definitions given to auditing some of them like Institution of chartered accountants of Sri Lanka defined the auditing is an examination of financial statements of an entity by an appointed auditor for the purpose of expressing an independent professional opinion on the true and fairness in pursuance of the appointment and in compliance with the law.

Woolf (1986), states that internal auditor is an employee of the enterprise and cannot therefore be independent of it, he should be able to plan and carryout his work as he wishes and have access to the highest level of management. However, Millichamp (1993) pointed that

effective internal audit should be carried out by an independent personnel though they are employees appointed by management, for them to work efficiently, they should have scope to arrange priorities and activities have un restricted access to records, assets and personnel It's also an independent appraisal function established within an organization to examine and evaluate the effectiveness, efficiency and economy of managements control system.

Gerrit and Mohammad also believed that the proportion of independent board members to have a negative effect on internal audit function size. This finding indicated a substitution effect, which means that independent board members may be considered as an alternative monitoring mechanism to the internal audit function. They further assert that the control environment has a significant effect on the relative size of the Internal Audit Function. Specifically, a supportive control environment characterized by formalized integrity and clear ethical values, a high level of risk and control awareness, the perception that risk management is important and the fact that responsibilities with respect to risk management and internal control clearly defined is associated with a relatively larger internal audit function.

A studied by Goodwin-Stewart & Kent (2006) revealed sample Australian listed companies, shows that the existence of an internal audit function was positively associated with firm size and commitment to risk management. Kochan (1993) considered auditing procedures in one company and describes steps taken in implementing a quality assurance system; discussed the use of internal audits as an essential part of ISO 9000 certification process.

Empirical Review

Abdulrahman (1993) argued relations between internal and independent auditors of companies listed in stock exchange of Saudi Arabia. They found that experience and professional qualification not only affected rate of communication of internal and external auditors but also the trust rate of independent auditors on internal auditors. However, internal auditors of joint stock companies of Saudi Arabia were not skillful enough.

Gupta (2001) argued from Statements of Standard Auditing Practices No. 6 (SAP 6) defines Internal control as “the plan of organization and all the methods and procedures adopted by the management of an entity to assist in achieving management objectives of ensuring as far as practicable, the orderly and efficient conduct of its business, including adherence to management policies, the safeguarding of assets, prevention and detection of fraud and error, the accuracy and completeness of accounting records and the timely preparation of reliable financial information”.

Goodwin and Yeo (2001) stated the only study that has investigated the impact on objectivity of using internal audit as a training ground. They surveyed 65 chief internal auditors

in Singapore to explore the extent of the practice and perceptions of whether it could impair objectivity. The study found that internal auditing was viewed as a stepping stone to a managerial position in 43% of companies, that internal auditors would in the future be transferred to line positions in 48% of companies and that an auditee could be the future boss of an internal auditor in 49% of companies. Some 32% of respondents believed that using the internal audit function as a management training ground could impair the work of internal auditors

Raja and Raja (2003) found the most important reasons of elongation of audit period of the companies in stock market. Their research hypotheses tested the relation of independent variables (IAF quality, inherent risk level, objectivity, audit report, professional ability, audit competence plan, experience and professional work) with reporting and objectivity of internal auditors in their function period (dependent variable). There were significant relations between all independent variables and the dependent variable (audit delay) except audit report. In this regard, we describe some previous. However; there is no research that adopts directly researches in Iranian context. Researcher of Hajiha indicated that Iranian independent auditors believe installation and efficient responsibility of internal audit department in auditors is low in Iran.

Mensah et al., (2003) found empirical evidence in Ghana that effective internal control improve good governance practices and decrease the corruptions. Pratolo (2007) found that effective internal control has positive link with good corporate governance at State Owned Enterprises in Indonesia. Similar with this finding, Nila and Viriyanti (2008) also found that internal control has a positive relationship with good corporate governance at State Owned Enterprises in West Java, Indonesia.

Goodwin (2003) obtained similar results in a survey of chief internal auditors from Australia and New Zealand. In contrast, however Leary and Stewart (2007), in a study of Australian internal auditors' ethical decision making, found that the existence of an effective audit committee had little impact on internal auditors' perceptions of their willingness to act objectively. Selim, Sudarsanam and Lavine (2003) examined the role of internal audit in mergers, acquisitions and divestitures (M, A & D). The research involved interviewing internal auditors and senior managers in 22 companies in the US and Europe. They found that internal audit played a relatively small role in M, A & D activities but that interviewees believed that opportunities exist for a more pro-active role, notably in the areas of advising management and providing consulting services.

James (2003) found that perceptions of bank lending officers with respect to the impact of reporting structure on internal audit's ability to prevent financial statement fraud. The study

found that internal audit functions that report to senior management are perceived as being less able to prevent fraudulent reporting compared to those departments that report solely to the audit committee.

Van Peurseem (2004) conducted a survey of New Zealand internal auditors to identify functions that internal auditors perceive to be essential to their role. The survey also sought to understand the nature of the internal auditor's "role dilemma" (p. 379) which arises from the expectation that internal auditors will both assist management and independently evaluate management. Comments received from respondents indicated that internal audit's role has changed in recent years to one of consultant rather than of "policeman". Most of those who commented on this change did not perceive it as a problem.

Van Peurseem (2005) followed up her survey with a multiple case study involving six senior internal auditors. The study was designed to explain how these internal auditors deal with the conflict between their audit oversight responsibilities and the provision of support to management. Van Peurseem found that the tension involved in maintaining this dual role leads to role ambiguity but that this ambiguity is not necessarily undesirable. Three concepts emerged from the interviews which impact on internal auditors' ability to maintain their independence: the position in which they establish their own role and duties; the role of professional status; and the nature of the communications in which they engage.

Gramling et al. (2004) argued that "a quality relationship between the IAF (internal audit function) and the audit committee also works towards providing the IAF with an appropriate environment and support system for carrying out its own governance related activities (e.g. risk assessment, control assurance and compliance work)" (p.198). In addition, corporate governance guidelines and listing rules explicitly recognize the governance role played by audit committees in enhancing the relationships between management, external auditors and internal auditors (Blue Ribbon Committee, 1999; Smith Committee, 2003). As such, audit committees can be viewed as a key safeguard mechanism for internal auditors in managing their professional objectivity

According to Hayes et al., (2005) argued internal control comprises five components; the control environment, the entity's risk assessment process, the information and communication systems, control activities and the monitoring of controls. However, for purposes of this study, the research will narrow down to only three components of the internal control system. These are the control environment, internal audit and control activities. The other components of the internal control systems will be held constant.

Verschoor (1999) pointed internal control systems not only contribute to managerial effectiveness but are also important duties of corporate boards of directors. Accounting

literature likewise emphasizes the importance of an organization's integrity and ethical values in maintaining an effective control system.

Rittenberg et al, (2005) Said that the control environment starts with the boards of directors and management who set the tone of organization through policies, behaviors, and effective governance if the tone set by the management is lax then fraudulent financial reporting is more likely to occur. Doyle et al (2005) found that the company levels of control problem which cannot be audited as easily are associated with lower earning quality which explores links between disclosure of material weakness and fraud earning management restatement.

Williams (2005) stated that some things considered to be good are not always enough for information. Internal controls have to give the possibility to check quality. Shelton and Whittington (2008) found that sometimes even the quality of an information is not enough, if it is uncompleted; that is why internal control needs to ensure that all elements are taken into consideration during their processing and the information always need to be geared to the pursued aim. He concludes that its availability is not enough to take possession of the information because sometimes it might be too late and that is why internal control has to avoid such situations and ensure the procurement of information is availed in a suitable time.

Kashanipur et al. (2006) argued a study titled "An analytical study of relation between items of financial statements and audit reporting period". They found that variables such as current assets and current liabilities had the most correlation with the dependent variable. Sarens & De Beelde (2006) also show argued that the risk and control awareness have an influence on the scope of the Internal Audit Function. These results suggest that when management is aware of risks and control activities, they are more likely to understand the role of the Internal Audit Function in monitoring risk and control activities.

Ernst and Young's (2006) 3rd Australasian benchmarking survey indicates that 62% of respondents' internal audit functions are involved in providing assurance over risk management practices, while 47% report that internal audit develops and assists in the oversight of the risk management framework.⁵The report also raised concerns over whether it is best practice for internal audit to be involved in both developing and assuring risk management frameworks and process.

Haslin Johari [2007] said the reasons for elongation of audit function period and financial reporting of listed companies in Malaysian stock exchange. The results showed that reporting period closely related to the type of industry, news and sale as a criterion for a company size that had a negative relation with timeliness of reporting.

Zain and Subramaniam's (2007) studied of heads of internal audit from eleven organizations in Malaysia reflects the importance of the powerful position of audit committees in enhancing internal audit objectivity. The study reveals that internal auditors place significant trust in audit committees to take up the key questioning role in more formal settings.

According to Doost (1990) without a positive workplace environment, there are more opportunities for poor employee morale, which can affect an employee's attitude about committing fraud against an entity. He further found out that factors that detract from a positive work environment and may increase the risk of fraud include: Negative feedback and lack of recognition for job performance, perceived inequities in the organization, fear of delivering "bad news" to supervisors and/or management, Less-than-competitive compensation, poor training and promotion opportunities, lack of clear organizational responsibilities and poor communication practices or methods within the organization.

Hypothesis

H₁: There is significant impact of internal audit system on staff's perception

Here researchers firstly compared and evaluated the relationship between internal audit system and perception of staff also internal audit system considered as independent variable and staff perception considered as dependent variable.

H₂: There is a significant relationship between internal audit and staff's perception

H_{2a}: There is significant relationship between internal audit and quality of service

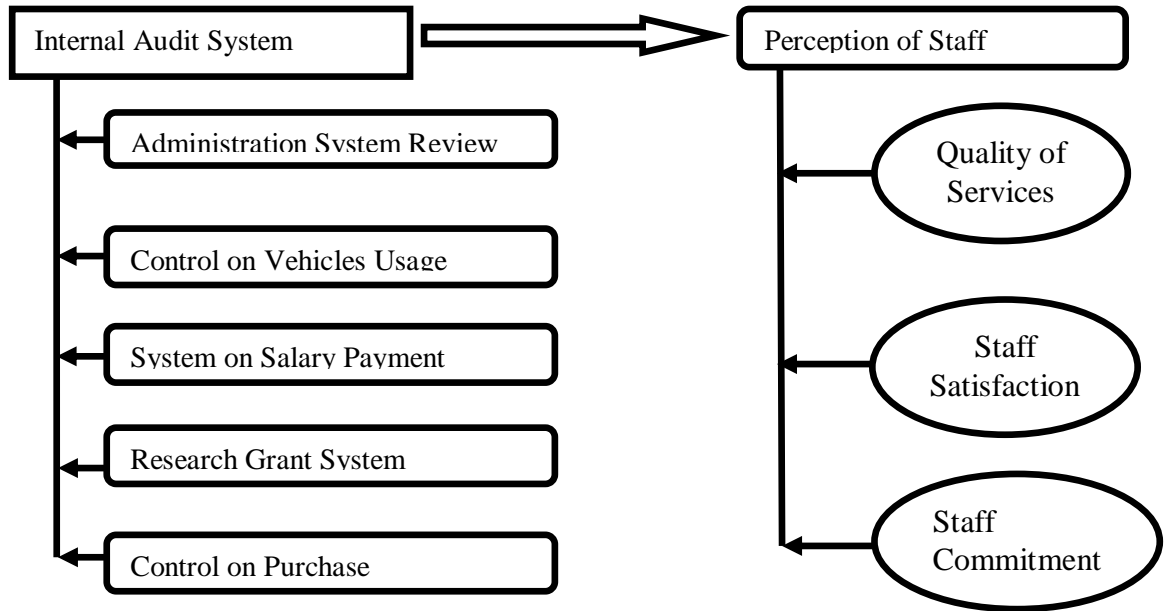
H_{2b}: There is significant relationship between internal audit and staff satisfaction

H_{2c}: There is significant relationship between internal audit and staff commitment

CONCEPTUALIZATION OF THE RESEARCH MODEL

A conceptual framework developed provides a framework to understand the affects of the variables on internal audit, and identifies the hypotheses regarding the reaction of staff perception variables to University of Jaffna.

Figure: 1 Conceptual Model



OPERATIONALIZATION OF THE VARIABLES

Two concepts discussed in this study one is the internal audit System other one is Staff's Perception. Described below are the variables used to operationalise the constructs. They include the internal audit variables (administration system review, control on purchase, control on vehicles usage, system on salary payment, research grant system) are independent variables (quality of service, staff satisfaction, staff commitment) are dependent variables.

Table 1 Operationalization

Concept	Variables	Indicator	Measurement
Internal Audit System	Administration System Review	Academic Procedures Result Publication	Q1,Q2,Q3
	Control on Purchase	Procedures on Purchase Quality Analysis	Q4,Q5, Q6
	Control on Vehicles Usage	Maintain Running Chart Proper Authorization	Q7,Q8,Q9
	System on Salary Payment	Pay Sheet Preparation EPF & ETF Calculation	Q10, Q11,Q12,
	Research Grant System	Proper Grant Allocation Proper Authorizations	Q13,Q14,Q15
Reaction on Staff's Perception	Quality of Service	Assurance Reliability Job Security	Q16,Q17, Q18,Q19, Q20, Q21, Q22.
	Staff Satisfaction	Working Condition Skill & Ability Development	
	Staff Commitment	Affective Commitment Normative Commitment Continuance Commitment	Q23,Q24,Q25,Q26

RESEARCH METHODOLOGY

Population & Sample

The samples were selected from Deans and Heads of the University of Jaffna Thus five Deans and forty seven Heads of the University of Jaffna selected according to the convenience sampling method in this study. The description of the Faculty of the University of Jaffna selected from each are as follows.

Table 2 Sample for the research

Faculties	Deans	Heads
Agriculture	01	06
Arts	01	16
Management studies & Commerce	01	05
Medicine	01	13
Science	01	07
Total Staff	05	47

Data Collection Techniques

This research closely concerned with the internal data of the University of Jaffna there is a practical need to collect related data, if a research to be carried out. This study solely depends on the primary data collection technique. The primary collection techniques used in this research.

Questionnaire For the purpose of collecting primary data, questionnaire was used. This questionnaire issued to all faculty Heads and Deans of the University of Jaffna. Here twenty six questions (26) included in this questionnaire. The major divisions of the questionnaire were as follows.

Part one Personal description of the University staff.

Part two Questions describes related to the internal audit system.

Part three Questions describes refaced to the Staff's perception

Further the structure of the questionnaire and the pattern of the questions can be better illustrated. The questionnaire based on the University's Deans' and Heads' point view.

Mode of Analysis

The collected data interpreted and simplified to make them eligible for the research purpose. The data analyses for the proposed research performed with SPSS package. The model shows the internal audit system and its reaction of staff's perception. Internal audit is the independent variables where as perception is the dependent variable

Correlation Analysis

The following technique used to find out the relationship among the variables and their strength. Therefore, two variables such as independent variable and dependent variable taken in this study, in this research, in order to find out the relationship between these two variables, Pearson co-efficient of correlation was used. In this way, this analysis causes relation between internal audit and its Reaction on staff's perception of the University of Jaffna to form a conceptual model. Internal audit of the University of Jaffna can be connected with administration system review, control on vehicles usage, system on salary payment, research grant system and control on purchase. Perception of the University of Jaffna staff can be connected with quality of services, staff satisfaction, and staff's commitment.

Multi Regression Analysis

It used to identify how internal audit system impact or reaction on staff's perception as well as other factors extends. Generally regression analysis describes the mathematical equation, that "best fit" the value recorded for the two variables. While nonlinear equations may be used for this purpose, the researcher limits the discussion to regression equation of the linear.

ANALYSIS & RESULTS

a) Correlation Analysis

Correlation analysis carried out to identify the internal audit system and the staff's perception (Table 3). The following tables reveal the association between the dependent and independent variables namely staff's perception and internal audit system. In this research correlation analysis was used to obtain relationship between variables. In this analysis, the researcher found the value of correlation co-efficient by using SPSS package. The correlation analysis focused on the overall relationship between internal audit system and staff's perception.

In Table 3...	ASR	: Administration system review
	COVU	: Control on vehicle usage
	SOSP	: System on salary payment
	RGS	: Research grant system
	COP	: Control on purchase
	QOS	: Quality of service
	SS	: Staff satisfaction
	SC	: Staff Commitment

Table 3 Spread of Factor on Perception Variables

		ASR	COVU	SOSP	RGS	COP	QOS	SS	SC	Internal Audit
ASR	Pearson Correlation Sig.									
COVU	Pearson Correlation Sig.		0.264 0.091							
SOSP	Pearson Correlation Sig.	0.229 0.145	0.025 0.877							
RGS	Pearson Correlation Sig.	.386* 0.012	0.037 0.816	0.077 0.627						
COP	Pearson Correlation Sig.	0.258 0.099	.437** 0.004	0.193 0.221	0.201 0.201					
QOS	Pearson Correlation Sig.	0.189 0.231	0.133 0.4	.376* 0.014	0.029 0.853	0.156 0.323				
SS	Pearson Correlation Sig.	0.115 0.468	0.153 0.334	0.118 0.456	.484** 0.001	0.273 0.08	0.267 0.087			
SC	Pearson Correlation Sig. (2-tailed)	0.148 0.351	0.124 0.434	.385* 0.012	.479** 0.001	.368* 0.016	.463* 0.002	.548** 0		
Internal Audit	Pearson Correlation Sig. (2-tailed)	.675** 0	.622** 0	.484** 0.001	.539** 0	.708** 0	0.288 0.065	.377* 0.014	.491** 0.001	

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

In the University of Jaffna, it is observable that there is an overall relationship between internal audit system and staff's perception. But in deeply, as far as individual factors concerned, the relationship varies. In the University of Jaffna, administration system review (ASR) is weak

positive correlated at value (0.189) but no significant with the quality of service, ASR is weak positive correlated at the value (0.115) but not significant with the Staff satisfaction and ASR is weak positive correlated with staff commitment at the level (0.148).

Further, in this University, control on vehicle usage also weak positive correlated (0.133) but not significant with the quality of service. Therefore, its management is efficiency. COVU is weak positive correlated at the level (0.153) but not significant with the staff satisfaction and COVU is weak positive correlated at the level (0.124) but not significant with the staff commitment. Has a positive relationship between control on vehicle usage and overall quality of service.

Further, system on salary payment in internal audit system is weak positive correlated at level (0.376*) of significant relationship with quality of service, SOSR is weak positive correlated at the level (0.118) but not significant with the staff satisfaction. SOSR is weak positive correlated at the level (0.385*) that is significant with the staff commitment. Research grant system in internal audit system is weak positive level correlated at the level of (0.029) that is significant relationship with quality of service, RGS is weak positive correlated at the level (0.484**) here 0.001percentage significant with the staff satisfaction and RGS is weak positive correlated at the level (0.427**) that is significant with the staff commitment. Further, control on purchase in internal audit system is weak positive correlated at level (0.156) but not significant relationship with quality of service, COP is positive weak positive correlated at the level (0.273) but not significant with the staff satisfaction and COP is weak positive correlated at the level (0.368*) that is significant with the staff commitment.

Further, research grant system in internal audit system is strong positive correlated at the level of (0.029) that is significant relationship with quality of service, RGS is positive correlated at the level (0.484**) here 0.001 percentage significant with the Staff satisfaction and RGS is positive correlated at the level (0.427**) that is significant with the staff commitment. According to the above results, the relationship between internal audit system and quality of service weak positive correlated at the level of (0.288) that is no significant relationship with quality of service. Internal audit system is positive correlated at the level (0.377*) here 0.014 percentage significant with the Staff satisfaction and internal audit system is positively correlated at the level (0.491**) that is significant with the staff commitment.

H_{2a}: There is weak positive correlation no significant relationship between internal audit system and quality of service here this hypothesis is rejected

H_{2b}: There is positive level correlation significant relationship between internal audit system and staff's satisfaction in these study hypotheses is accepted

H_{2c}: There is positive level correlation significant relationship between internal audit system and staff's commitment in these study hypotheses is accepted

Table 4 Relationships between Internal Audit System and Staff's Perception

		Staff's Perception
	Pearson Correlation	0.489**
Internal Audit System	Sig. (2-tailed)	0.001

Correlation results from table 4 above indicate that there is a significant positive relationship between internal audit system and staff perception in University of Jaffna. ($r = 0.489^{**}$, $p < 0.01$). This means that a good internal audit system may result into an improvement in the internal audit system on staff perception. This observation was made at the 0.99% confidence level.

H₂: There is positive significant relationship between internal audit system and staff's perception in these study hypotheses is accepted

Multiple Regression Analysis

By using the correlation analyzes it can be found that how the relationship is between the internal audit and staff perception within the University of Jaffna. But the nature of the relationship is between these variables. It is not a proper way to describe the relationship exactly between the internal audit mechanisms and staff perception within the educational services organizations using the correlation analyzes. Therefore regression analyses are the most suitable way in order to find out the exact relationship between these variables. Regression analysis is made to find out the equation, which describes the relationship between these variable. From this analysis the dependent variable can be forecasted through the independent variable, regression line is, $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \epsilon$
Here the regression summary output obtained through the statistical analysis.

Table 5 Predictors of Staff's Perception - Model Summary

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.589 ^a	0.347	0.257		0.37745

The specification of the five such as control on purchase, control on vehicle usage, system on salary payment, administration system review and research grant system variables in the model revealed the ability to predict staff perception. R adjusted Value of 0.257 which are in the

models denote that 34.7%, of the observed variability in perception can be explained by the differences in both the independent variables namely control on purchase, control on vehicle usage, system on salary payment, administration system review and research grant system . Remaining 65.3% of the variance in perception is related other variable which was not explained, because they were not depicted in the model. R2 values of 34.7 indicate that there may be number of variables which can have an impact on staff perception that need to be studied. Hence this area is indicated as a scope for future research.

Table 6 Analysis of Variance for Staff's Perception and Internal Audit Variables

Model	Sum of Squares	DF	Mean Square	F	Sig.
Regression	2.728	5	0.546	3.829	.007 ^a
Residual	5.129	36	0.142		
Total	7.857	41			

a. Predictors : (Constant), COP, SOSP, RGS, COVU, ASR

b. Dependent Variable : Staff Perception

An examination with ANOVA (F-value) indicates that explains the most possible combination of predictor variables that could contribute to the relationship with the dependent variables. Results show significant relationship with perception indicator. With F- values of 3.829 ($p = 0.007, < 0.05$) for quality of service as perception proxy , it clearly shows that there is a significant relationship between the dependent variable (staff perception) and the independent variables (the five internal audit variables-administration system review, control on vehicle usage, control on purchase, system on salary payment, research grant system).

H₁: There is significant impact of internal audit system on staff's perception here hypotheses one **H₁ is accepted**

Table 7 Coefficients for Predictors of Staff's Perception

Model		Unstandardized		Standardized	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.317	0.519		2.536	0.016
	ASR	-0.083	0.115	-0.112	-0.722	0.475
	COVU	0.06	0.089	0.104	0.674	0.504
	SOSP	0.222	0.096	0.325	2.313	0.027
	RGS	0.273	0.101	0.403	2.717	0.01
	COP	0.112	0.098	0.178	1.138	0.263

a. Dependent Variable: Staff Perception

The table 7 indicates the coefficient of regression between the internal audit system variables on staff perception. The coefficient of regression β is -0.083 for ASR. It indicates that if every ASR increased by one then Staff perception decreased by 0.083 amounts. The coefficient of regression β is 0.060 for COVU. It indicates that if every COVU increased by one then Staff perception increased by 0.060 amounts. The coefficient of regression β is 0.222 for SOSP. It indicates that if every SOSP increased by one then staff perception increased by 0.222 amounts. The coefficient of regression β is 0.273 for RGS. It indicates that if every RGS increased by one then Staff perception increased by 0.273 amounts. The coefficient of regression β is 0.112 for COP. It indicates that if every COP increased by one then firm performance increased by 0.112 amounts. The multiple effects regression equation can be expressed as: $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \epsilon$

Where,

Y	= Staff Perception
β_1X_1	= Slope of administration system review
β_2X_2	= Slope of control on vehicle usage
β_3X_3	= Slope of system on salary payment
β_4X_4	= Slope of research grant system
β_5X_5	= Slope of control on purchase

Staff Perception= 1.317- 0.083 ASR+ 0.060 COVU+ 0.222 SOSP + 0.273 RGS+ 0.112 COP + .519 (ϵ)

CONCLUSION AND RECOMMENDATIONS

Based on the analysis of the internal audit system and its reaction on staff perception, the following recommendations are made in respect of the University of Jaffna.

Considering that the variables of internal audit system which are research grant system and system on salary payment are very strong factors of staff perception. University of Jaffna should come up with strong policies to manage risks and to make sure that there are effective internal audit for better perception. Considering the fact that committed staff lead to staff perception The Universities should aim at creating a committed work force for better perception. Internal audit branch of the University of Jaffna should consider to improve their quality of service, according to this research quality of service is one of the major aspect of the any service organization. Here the internal audit faction is major in every organization due to that the university of Jaffna internal audit system unit will have to take necessary action to improve the quality of service they may consider increase the number staff in the internal audit branch of the

University of Jaffna because if their increasing staff the staff can perform effectively in the internal audit branch

The major part of internal audit branch considering the analyzing and testing the administration system in every department and faculty of University of Jaffna even though university academic staff especially dean and heads of the department not satisfy with academic review system its seen that should be improved in the future because administration system review is key element in the internal audit system in University of Jaffna as well Sri Lankan university. Success of the University of Jaffna and any institutional organization is depend on the administration system action of particular organization so the administration system review according to the response of the staff is not satisfy with the administration system review in the internal audit branch so take necessary action to recover from this problem because university of Jaffna is in the high level education provider in the northern province and also Sri Lanka. So the administration system will help to achieve a lot of to University of Jaffna.

LIMITATIONS OF THE RESEARCH

There are few limitations in any study and no exception in this study also. It is impossible to get fully relevant and accurate data on information from the source.

The Identify limitation is due to the difficulty of surveying the whole population of staff in the University of Jaffna this study used to Heads and Deans has been selected as sample. It did not fully reflect the whole population.

Due to time period researchers were unable to meet the Heads and Deans, the main primary data collection method used questionnaire method in this study but it may contains some limitation such as:

- In questionnaire method, there was little room for flexibility to make response.
- There were some difficulties in understanding and interpreting certain questions.
- There were some possibilities that respondent might answer without genuine interest.

SCOPE FOR FUTURE RESEARCH

The research has been covered only the five faculty so that, a researcher may consider larger volume of samples in future due to that, a research should be imitated in any other faculties of University of Jaffna. This research has been conducted only 52 samples from the University of Jaffna so that, a researcher may consider larger volume of samples in future and also future researcher can consider Vavuniya campus and engineering faculty of University of Jaffna (Kilinochchi). Future researcher should take not only academic staff but also all staff its mean non-academic university staff.

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