

The Impact of Organizational and Professional Factors on Internal Audit Effectiveness: An Empirical Study of Libya Post Company

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Information of Article

Article history:
Received: July 2025
Revised: Aug 2025
Accepted: Sep 2025
Available online: Oct 2025

Keywords: Internal Audit Effectiveness, Auditor Independence, Auditor Competence, Management Support, Libya Post Company.

Abstract

This study empirically investigates the factors influencing the effectiveness of the Internal Audit Function (IAF) in the Libya Post Company, as perceived by its internal auditors. The research focuses on four key independent variables: Internal Auditor Independence, Internal Auditor Competence and Experience, Senior Management Support, and Cooperation between Internal and External Auditors. Internal Audit Effectiveness serves as the dependent variable. Employing a descriptive analytical methodology, data was collected via a survey questionnaire from internal auditors within the company. The results indicate that cooperation between internal and external auditors had the most significant positive impact on enhancing IAF effectiveness (Beta = 0.492, $p=0.002$), followed by competence and professional experience (Beta = 0.356, $p=0.030$), and senior management support (Beta = 0.299, $p=0.031$). Internal auditor independence was positively correlated ($r=0.421$) but did not show a statistically significant direct impact in the full regression model (Beta = 0.188, $p=0.267$). The study recommends formalizing cooperation, enhancing competence through training, and strengthening practical management support.

Introduction

The Internal Audit Function (IAF) is a core component of organizational governance, vital for assessing internal control and ensuring efficiency and effectiveness. It provides independent oversight, reinforces corporate discipline, and supports managerial decisions. Following global financial crises, the Institute of Internal Auditors (IIA) emphasized the need for periodic performance evaluation to ensure effectiveness.

The Libya Post Company, a public institution, manages significant resources and faces challenges in its oversight mechanisms. The Libyan Audit Bureau's 2021 report (p. 435) noted a significant weakness in internal control and internal audit offices within the company. This underscores a necessity to study the factors influencing IAF effectiveness within this specific operational environment.

Research Problem and Objectives

The main question driving this research is:

What are the factors influencing the effectiveness of the Internal Audit Function from the perspective of internal auditors at the Libya Post Company?

The study aims to determine the impact of four key variables: Internal Auditor Independence, Internal Auditor Competence and Experience, Senior Management Support, and Cooperation between Internal and External Auditors, on IAF effectiveness.

Research Hypotheses

The study tests the following four hypotheses:

1. There is a statistically significant relationship between Internal Auditor Independence and Internal Audit Effectiveness.
2. There is a statistically significant relationship between Internal Auditor Competence and Experience and Internal Audit Effectiveness.
3. There is a statistically significant relationship between Senior Management Support and Internal Audit Effectiveness.
4. There is a statistically significant relationship between the level of Cooperation between Internal and External Auditors and Internal Audit Effectiveness.

Literature Review

The effectiveness of the IAF is defined by its ability to achieve its objectives, such as safeguarding assets, improving performance, and enhancing governance, by providing "objective and independent assurance and consulting services".

Key Factors Influencing IAF Effectiveness

1. **Internal Auditor Competence and Experience:** This requires appropriate academic qualifications and professional certifications, along with practical experience. The IIA's standards emphasize the need for the audit team to collectively possess the necessary knowledge and skills.
2. **Internal Auditor Independence:** This involves organizational and functional autonomy from management influence, essential for objective performance evaluation.
3. **Senior Management Support:** This encompasses the allocation of necessary resources, granting authority, and acting upon audit recommendations.
4. **Cooperation between Internal and External Auditors:** Coordination reduces duplicated effort, broadens control coverage, and increases the reliability of results.

These factors are theoretically supported by the Agency Theory (governance and independence), the Institutional Theory (compliance with standards and management support), and the Communication Theory (cooperation and effective dialogue).

Methodology and Data Analysis

Research Design and Sample

The study adopted the descriptive analytical approach. The population consisted of all 35 employees in the internal audit offices of the Libya Post Company. A comprehensive sample was used, with 32 valid questionnaires returned for analysis (91.42% response rate). Data analysis used SPSS. The reliability of the instrument was confirmed with Cronbach's Alpha values between 0.746 and 0.879.

Demographic Characteristics and Figures

The sample analysis revealed strong professional alignment, which contributes to the credibility of the findings.

Table 1: Educational Attainment of the Sample

Educational Attainment	Frequency	Percentage
Less than BA	7	21.9%
BA	14	43.8%
Higher than BA	11	34.4%
Total	32	100.0%

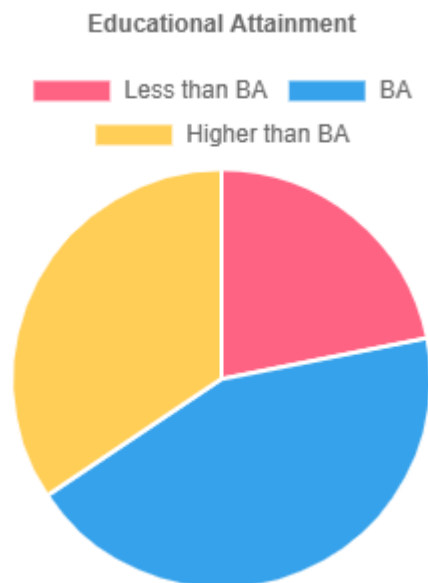


Fig.1: Educational Attainment (Pie Chart)

The figure shows a dominant majority of respondents holding a Bachelor's degree (43.8%) or higher (34.4%), totaling 78.2% of the sample, confirming a high academic level among internal audit staff.

Table 2: Specialization of the Sample

Specialization	Frequency	Percentage
Accounting	28	87.5%
Business Admin.	2	6.3%
Other	2	6.3%
Total	32	100.0%



Fig.2: Specialization (Bar Chart)

The figure illustrates the strong concentration of expertise, with **accounting specialists representing 87.5%** of the internal audit staff, which is highly relevant to the study's focus.

Table 3: Years of Experience of the Sample

Years of Experience	Frequency	Percentage
Less than 5 years	1	3.1%
5 to < 10 years	2	6.3%
10 to < 15 years	9	28.1%
15 years and more	20	62.5%
Total	32	100.0%



Fig.3: Years of Experience (Stacked Bar Chart)

The chart highlights the maturity of the workforce, showing that over 90% of the respondents possess more than 10 years of experience, with **62.5% having 15 years or more**. This long tenure provides high credibility to the respondents' opinions.

Regression Results

The regression model was statistically significant ($F = 5.340$, $p=0.003$) and explained **72.0%** of the variance in IAF Effectiveness ($R^2=0.720$).

Variable	Standardized Beta (β)	Significance (p)	Decision
Cooperation (H4)	0.492	0.002	H4 Accepted Strongly
Competence (H2)	0.356	0.030	H2 Accepted
Management Support (H3)	0.299	0.031	H3 Accepted
Independence (H1)	0.188	0.267	H1 Partially Accepted

Discussion of Findings

The research confirmed that IAF effectiveness in the Libya Post Company is driven by a combination of professional and organizational factors. Cooperation and Competence: The Strongest Drivers Cooperation between Internal and External Auditors was the most potent factor ($\beta=0.492$). This finding underscores that integrated oversight and information exchange are crucial for maximizing audit quality and addressing control gaps (H4 accepted strongly). Internal Auditor Competence and Experience ($\beta=0.356$) was the second strongest predictor (H2 accepted). This confirms that high professional qualifications and skills are fundamental to effective performance. The Critical Role of Management Support Senior Management Support ($\beta=0.299$) was also a statistically significant positive factor (H3 accepted). This support demonstrated through resource allocation and the genuine implementation of recommendations is essential for the IAF to translate its findings into organizational improvements. The Paradox of Independence Despite a strong positive correlation ($r=0.421$), Internal Auditor Independence was not a statistically significant predictor in the full model ($\beta=0.188, p=0.267$) (H1 partially accepted). This suggests that while independence is a necessary formal prerequisite, it requires practical enforcement and must be coupled with strong support and competence to translate into measurable effectiveness.

Conclusion and Recommendations

Conclusion

The study concludes that IAF effectiveness in the Libya Post Company is primarily driven by

Cooperation with External Auditors, Internal Auditor Competence and Experience, and Senior Management Support. The model's high explanatory power ($R^2=72.0\%$) validates the importance of these factors in the context of Libyan public institutions. Independence requires stronger institutional backing to fulfill its potential.

Recommendations

Based on the analysis, the following actions are recommended for the Libya Post Company:

1. **Mandate Institutional Cooperation:** Establish formal and regular channels for communication and the exchange of work programs and reports between internal and external audit teams to unify procedures and enhance coverage.
2. **Elevate Professional Competence:** Implement continuous, specialized training programs on international standards and modern auditing techniques to build technical skills and professional knowledge.
3. **Ensure Practical Support:** Senior management must guarantee the provision of necessary resources and ensure the timely and effective implementation of the IAF's recommendations.
4. **Strengthen Effective Independence:** Issue binding regulations to affirm the IAF's independence and activate the full authority of the department in practice, ensuring legal and administrative protection for auditors.

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