

## The Effect of Internal Auditing Function on the Quality of Financial Reporting: A Theoretical Framework

**Authors :** Hani Albogami

**Abstract :** The internal audit function is considered as one of the internal corporate governance mechanisms that may have an impact on improving earnings quality by constraining earnings management. The internal audit function is also a unique corporate governance mechanism because internal auditors have more involvement with the day-to-day operations comparing to the audit committee, and also internal auditors audit their companies the whole year compared to the external auditor who audits only a certain time of the year. The relationships between internal audit function and earnings management can be understood by some theories. Therefore, this paper provides a theoretical background of the influence of the quality of internal audit function on earnings management. In particular, the agency theory, institutional theory, singling theory, and resource dependency theory are adapted by this paper to provide some understanding and analyses that can be a basis for future research to contribute to the corporate governance academic studies.

**Keywords :** internal audit, corporate governance, earnings management, accounting

**Conference Title :** ICEFA 2021 : International Conference on Economics, Finance and Accounting

**Conference Location :** Sydney, Australia

**Conference Dates :** March 29-30, 2021