Auditees' Perception on Accountability Index:

A Study in a Malaysian Public University

LA PERCEPTION DES AUDITEURS DE L'INDICE DE LA RESPONSABILISATION:

UNE ÉTUDE DANS UNE UNIVERSITÉ PUBLIQUE MALAISIENNE

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Abstract: Studies have shown that success implementation of a system could affect users' perception towards the system and in turn influence their acceptance or reluctance towards the system. This study examines auditees' perception toward Accountability Index, an audit rating system. This study also examines whether auditees' demographic profile influences their perception on the audit rating system. A questionnaire survey was adopted on 116 top and middle management staff in a Malaysian public university. The results show that auditees were receptive towards the idea of the Internal Audit Department to implement Accountability Index. The results also show that three demographic profile, namely, position, service years in the current department and the university contributed towards the variation in auditees' perception on Accountability Index. The findings in this study provide further understanding on the importance of an audit rating system for organisational success.

Keywords: Accountability Index; Internal Audit Department; Auditees; Perception; Malaysia

Résumé: Des études ont montré que la mise en œuvre réussie d'un système pouvait affecter la perception des utilisateurs envers le système et influence, à son tour, leur acceptation ou réticence envers ce système. Cette étude examine la perception des auditeurs de l'indice de la responsabilisation, un système de notation de l'audit. Elle examine également si le profile démographique des auditeurs influe sur leur perception du système de notation de l'audit. Une enquête par questionnaire a été

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appliquée sur 116 personnel de direction de haut niveau et de niveau moyen dans une université publique malaisienne. Les résultats montrent que les auditeurs étaient réceptifs à l'idée d'un département de l'Audit Interne pour mettre en oeuvre l'indice de responsabilisation. Les résultats montrent également que trois profil démographiques, à savoir la position, les années de service l'actuel département et l'université ont contribué à la variation dans la perception des auditeurs de l'indice de la responsabilisation. Les conclusions de cette étude permettent de comprendre davantage l'importance d'un système de notation de l'audit pour la réussite organisationnelle.
Mots-clés: indice de responsabilisation; département de l'audit interne; auditeurs; perception; Malaisie

INTRODUCTION

The increasing number of fraud occurrences throughout the world has caused an alarming concern from the public and government (Cohen et al., 2002). In Malaysia, for example, KPMG Forensic committee (2004) has reported that the number of fraud occurrences among Malaysian companies has increased dramatically. Between the year 2003 and 2004, 36% of the Malaysian companies have suffered losses totalling between RM10,001 to RM100,000 due to fraudulent activities. Eighty seven percent of the frauds were perpetrated internally by non-management employees (69%) and management employees (18%). The committee also reported that ineffective internal controls and conspiracy between employees and third party were cited as the most common reason giving rise to fraudulent activities.

Due to the high fraud occurrences, the public and government has called for good corporate governance practices among organisations. An important element that could ensure good practices of corporate governance is the role of internal auditors in ensuring the integrity of the financial reporting process within an organisation is upheld (Cohen & Hanno, 2000).

Several initiatives were introduced and imposed, particularly in USA to capture public's confidence on the financial reports (Rezaee *et al.,* 2003). The most notable initiative taken by the US regulatory bodies is the establishment of Sarbanes-Oxley Act l (SOX) in 2002. Section 101 of the Act requires the setting up of Public Company Accounting Oversight Board (PCAOB) to supervise audit of public companies in ensuring clear-cut, self-contained and reliable audit reports are provided (Looknanan, 2009).

In Malaysia, to alleviate the number of fraud occurrences, the National Audit Department of Malaysia (NAD) has implemented a rating system known as the Accountability Index (AI). AI caters for financial management in the Ministry/Department and the Federal/State Agencies in National Audit Department of Malaysia since 2007. The purpose of this rating system is to provide a more objective measure in assessing quality in line with the objective of the 9th Malaysia Plan. AI complies with financial regulations and auditees' performances are assessed immediately using a rating system and issues are highlighted by percentage given according to criteria of the program. Although AI is new in Malaysia, it plays a significant impact on auditees, particularly the internal audit department.

This study examines auditees' perception on AI in a Malaysian public university. This study includes examining whether demographic profile such as management level and service years influence their perception on AI. The remainder of this paper is structured as follows. The next section provides the literature review. Section 3 provides information on AI in Malaysia. Section 4 presents the research framework, research question and hypothesis. Section 5 presents the research design. The results and discussion are presented in section 6. The last section summarises and concludes this paper.

LITERATURE REVIEW

Audit Rating System

Audit rating system is an effective method to evaluate auditees' performance on a particular audit program. Audit rating is given based on the performance of the auditees' level of compliance to the regulations set by the government in order to improve public service delivery system. Alice & Maria (1968) highlighted a few rating systems using different methods such as color coding, numbering such as 1, 2, 3 or descriptive such as excellent, acceptable and desires improvement.

Several studies that examined audit rating system in the literature have indicated the importance of an audit rating system. It facilitates the auditors to assess the level of performance of the auditees as a percentage of compliance of the regulation concerning the audit (Buang, 2008). Buang (2008) noted that assessment using audit rating is more accurate, simple and provides the auditees a quick evaluation of their performance. With audit rating, locations or areas that performed poorly on the audits could be quickly identified since the audit rating highlights the performance in the report. It is also easy to see which criteria complies with the regulation and which are not. According to Germack (2005), widespread investors' concern on the numerous accounting problems has brought to light the concern of rating, evaluating and ranking the financial statements. Such concern has also spread to the evaluation, ranking the completeness, accuracy and integrity of auditing work.

Murphy & Cleveland (1995) found that using a formal system such as the audit rating system is beneficial if it is designed and used properly. It facilitates organisational decisions such as rewards allocation, promotions or demotions, layoffs or recalls and transfers. It could also assist managers in developing employees' performance. Additionally, it serves to assist individual employees' decisions regarding career choices and the subsequent direction of individual time and effort. Audit rating could also increase employees' commitment and satisfaction, due to improvements in organisational communication. Ingram (1996) found that having a rating system in hotels or accommodation could maintain high quality standards of accommodation in terms of basic facilities and furnishings, food are prepared according to high standards and above all, meeting customers' satisfaction.

A body of the literature has examined the link between audit rating and performance measurement (Murphy & Cleveland, 1995; Krahnen, 2001; Stull *et al.,* 2005). These studies suggested that audit rating provides many advantages if the management designs and uses it properly. For example, Krahnen (2001) in his study found that rating allows the banks to assess credit risk and constantly manage a bank's credit portfolio in order to alleviate the banks' exposure with respect to type of threat. He also found that ratings are convenient for the pricing of a bond or a loan, reflecting an intended positive relation between expected credit risk and nominal return. In Stull *et al.* (2005), they found that the assessment results on animal welfare on commercial dairies may be useful to improve or identify distinguished errors.

Other studies have also found similar benefits of a rating system. Bernardin & Buckley (1981) found that written diaries which contain critical incidents of performance are kept by supervisors and serve as a source for the ratings. Although rating scale design, training and other technical qualities of performance appraisal determines the quality of rating, the quality of rating is also strongly influenced by the administrative surroundings in which they are utilised (Ilgen *et al.,* 1993; Murphy & Cleveland, 1995). Similarly, Eichholtz *et al*. (2009) found that buildings with a "green rating" command rental rates approximately 3 percent higher per square foot than the same buildings. The selling prices of green buildings are also soaring at approximately 16%. Their results indicated that using rating system boosted up the publicity of building and have convinced the public confidence in buying the property market.

Within the government sector, audit rating system has also been used as a performance measurement. Studies that examined the link between this mechanism and performance in public sector suggested that audit rating is an important element to improve performance (Davies, 1999; Thiel & Leeuw, 2002; Mays, 2006). However, most of these studies were conducted in a non-Malaysian setting. Further, there has yet a study focuses on rating system such as AI by NAD in the audit literature in Malaysia.

Auditees' Perception on Audit Rating System

A review of the literature shows that there is a group of studies that has examined users' perception on audit rating system. The results in these studies are mixed. Few studies have found that perception of auditees towards audit rating system is positive (Miller, 1993 ;Collier & Dixon, 1995; Ingram, 1996). For example: Ingram (1996) showed that in the hotel sector in United Kingdom, the development of classification and grading schemes is an important activity which affects customers and practitioners. His results showed that perception of the hotel practitioners focused on the accommodation and service perfection. From the consumers' viewpoint, classification and grading schemes should be clear and comprehensible. Ingram (1996) also stated that since 1962 the World Tourism Organisation (WTO) has required hotel industry to develop a universally accepted hotel rating system, but in 1995 there were over 100 classification systems in operation.

Other studies did not find auditees to perceive the rating system positively (Weise & Buckley, 1998; Mannion *et al.,* 2005). These studies found that auditees also criticised the complexity of the mechanism (Weise & Buckley, 1998) and perception that lead to misleading indication on the performance of the organisation (Mannion *et al.*, 2005). Despite receiving negative feedbacks on this system, studies have suggested that audit rating system is still in use due to its importance to many important organisations, particularly on matters concerning pay, promotion and others. Wiese & Buckley (1998) pointed out that efficient and effective managers adopt performance appraisal system as an instrument for managing and not as an instrument for assessing their staff. Management uses audit rating to stimulate and build their staff's competency in order to benefit the organisation. However, effectiveness of the ratings could be affected by the idea of being evaluated, the level of the information being communicated with the staff, other judgment measures and the manager's request to be respected by his/ her staff. Their study found that auditees' do not normally have good perception towards audit rating system practices by an internal audit department.

Effect of Demographic Profile on Perception on Audit Performance

Studies have shown that success implementation of a system could be affected by the users' perception towards the system and in turn influence their acceptance or reluctance to the system (Heeks *et al.,* 1999; Ammenwerth *et al.*, 2002). Arguably, within this context, the importance of examining auditees' perception on audit rating system such as AI is evident.

Studies have examined the effect of demographic factors in influencing individuals' behaviour such as perception on audit performance. These studies examined various variables such as present position (Fadzil *et al.,* 2005; Ahmad *et al.,* 2009), working experience (Cook, 2004; Smith *et al.*, 2005), frequency of being audited (Sori *et al.,* 2009), their familiarity towards the subject matter (Specht, 2005) and centres (Fletcher & Jones, 1992).

A large body of the audit literature noted work experience as one of the important variables that influence perception in the audit discipline (Furnham, 1992; Cook, 2004; Smith *et al.*, 2005; Specht, 2005). Smith et al. (2005) found red flags as individually perceived by auditors. Similarly, Furnham (1992) used working experience as a variable to develop a strong and multi-dimensional questionnaire for both illustrative and analytical purpose. Sori *et al.* (2009) also used working experience to examine the perception of bankers on contribution of audit committees towards external auditor independence in public listed companies.

Other studies used different demographic variables on audit performance. For example: (Specht, 2005) examined auditors' perceptions of recent pronouncement and disclosed general scepticism regarding its effectiveness in promoting congressional and public confidence. She used familiarity with the system as a variable to relate with the Panel's report and with the Proposed Fraud Statement. Specht (2005) found that auditors' familiarity with the system influence their perceptions about the appropriateness of the proposed changes.

Sori *et al.* (2009) applied audit frequency to examine the perception of bankers on contribution of audit committees towards external auditor independence in public listed companies. On the other hand,

Fletcher & Jones (1992) included centres as one of their variables to examine comparisons between different departments to detect dissimilarity in perceptions in evaluating organisational society.

ACCOUNTABILITY INDEX IN MALAYSIA

NAD provided its first report on AI in 2008 to evaluate the performance of government departments that are subjected to its audit (Buang, 2008). AI allows auditees to have an indication of their overall performance and their ranked of good corporate governance practices. Due to the benefits of AI hyped by NAD, other organisations such as the Universiti Teknologi MARA, a public university has shown interest in adopting such rating system in its organisation. Advocates of AI argue that AI would assist auditees to be aware of their performance and identify which issues that need special and fast attention and which issues are less important.

NAD has proposed that AI is to be provided in the form of number of stars of between 1 and 4 stars and then aggregated based on the overall scores. The score from the audited party to auditees would be either rated very good, good, satisfactory or unsatisfactory. This is illustrated in Table 1.

Table 1: Rating Scores of AI

Level	Remarks (Percent)	Rating
Very Good	90 -100	★ ★ ★ ★
Good	70 – 89	★ ★ ★
Satisfactory	50 – 69	★ ★
Unsatisfactory	below 49	★

RESEARCH FRAMEWORK, RESEARCH QUESTION AND HYPOTHESIS

Figure 1 presents the framework underpinning this study. This framework is developed based on reviewing the literature. The framework shows that there are five independent variables, namely, present position, working experience, frequency of being audited, familiarity and centres. Variables relating to demographic profile in this study are chosen based on their recognisability in the context of the Malaysian public university. Dependent variables are presented by perception AI.

Independent Variables   **Dependent Variable**

Demographic profile
- Present position
- Working experience
- Audit frequency
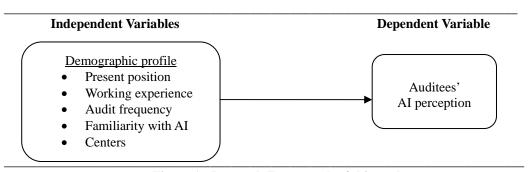- Familiarity with AI
- Centers

Auditees'
AI perception

Figure 1: Research Framework of this study

There are studies that have examined the link between users' perception and audit performance. The results in these studies are mixed. Few studies found that the perception of auditees towards audit performance such as positive whilst other studies provided negative perception towards an audit performance. These studies however, were often conducted in a non-Malaysian setting. Further, these studies did not focus on audit rating system. Such limitation provides a gap in the literature in understanding whether auditees' provide positive or negative perception on audit rating system such as AI. Therefore, the research question is developed:

RQ1: How do the auditees of a Malaysian public university perceive AI?

A large body of the audit literature has examined the effect of demographic profile on audit performance (Ward *et al.,* 1993; Furnham, 1992; Fadzil *et al.*, 2005; Ahmad *et al.*, 2009; Sori *et al.,* 2009). These studies had included position and audit frequency as variables in their research and found that these variables have positive effect on the study. Other studies have shown similar results when using other variables such as familiarity with the system (Specht, 2005) and centres (Fletcher & Jones, 1992).

Another group of studies have used working experience on their studies (Furnham, 1992; Cook, 2004; Smith *et al.*, 2005; Sori *et al.,* 2009) Tubbs (1992) found that working experience has an effect on the knowledge structure of the auditors. Cohen *et al*. (2002) and Bedard (1989) examined how experience affects the auditor's ability to perform audit task successfully.

In summary, these studies have shown that demographic profile could influence perception on a particular task or function. However, most of these studies have examined the effect of demographic profile on perception from the auditors' perspective, leaving study from the auditees' perspective largely unexplored. Further, a review of the literature also shows that there is limited literature in examining auditees' perception on internal audit function. The under-researched between the link of demographic profile and internal audit function led this study to examine this issue. Therefore, the following hypothesis is developed:

H1: Demographic Profile has a significant relationship with auditees' perception on AI.

RESEARCH DESIGN

Objectives of the Study

The main objective of this study is to examine auditees' perception on audit rating system. Specifically, this study examines:

    a)   The perception on auditees' on AI in a Malaysian public university.
    b)   The relationship between auditees' demographic profile on their perception towards AI.

The research objectives are achieved by way of a questionnaire survey.

Sample Selection

Administrators and academics holding top and middle management posts in all centres in a Malaysian public university are the sample of this study. The university has 68 respective centres divided into three categories: departments, faculties and campuses. This sample is chosen as they represent their centres which are subjected to audit by the Internal Audit Department of the university. Further, these centres have their own budget allocation and each centre is managed by a Head of Department, Dean or Campus Director. Therefore, the selection of this sample represents the whole picture regarding auditees' perceived importance of AI.

The questionnaires were sent to all 68 centres which consist of 55 centres in the main campus (24 faculties and 31 departments) and 13 branches (11 branches in Peninsular Malaysia and 2 branch

campuses in East Malaysia). Three hundred and forty questionnaires were distributed to the respondents. In each centre, five questionnaires were sent to the respondents. Each respondent received a set of the questionnaire package which consists of the cover letter inviting the respondents to participate, the questionnaire and a self-addressed envelope.

Out of the 340 questionnaires, 116 questionnaires were completed and returned, resulting in a response rate of 33.2 percent. Out of the 116 questionnaires, 42 were from faculties, 32 from branches and 42 from departments.

Questionnaire Design

This study uses questionnaire to examine the auditees' perceptions towards AI. The questionnaire instrument is adapted from several sources, namely, PricewaterhouseCoopers (2002), Risk Management Questionnaire, The Audit Office of New South Wales, The Institute of Internal Auditors Malaysia (2002) and the Internal Audit Department of the university's "Soal Selidik Pelanggan" (Auditee questionnaire).

The questionnaire is divided into 2 sections. Section A consists of eight statements regarding AI. There are eight items in this section. The statements are related to auditees understanding on audit report, level of actions taken on audit recommendations, perception on risk, awareness about rules and guidelines implemented, importance of risk management and understanding on the benefit of having audit rating system from audit report in the university. The respondents are asked to respond to statements in Section B based on a 7-point scale ranging from 1 as extremely disagree to 7 as extremely agree.

Section B relates to the demographic profile. Demographic information on each respondent includes present position, working experience in current department, working experience in the university, number of times the department is being audited and familiarity with AI. These questions are asked in categorical form.

RESULTS AND DISCUSSION

Descriptive Statistics of Demographic Profile

Table 2 presents the descriptive statistics of the demographic profile of the respondents. Panel A of Table 2 shows that respondents' present position is divided into five categories which comprise of Top Management, Upper Management, Management and Professional, Academician and Supporting Group. Management and Professional group has the highest respondents (33 respondents or 28.4 percent) and is closely followed by the Supporting Group which has 29 (25 percent) respondents. Academics has 20 (17.2 percent), Top Management 18 (15.5 percent) and Upper Management 16 (13.8 percent).

Table 2: Demographic Profile

Panel A: Present position

	Frequency	Percentage
Top Management	18	15.5
Upper Management	16	13.8
Management & Professional	33	28.4
Academic	20	17.2
Support group	29	25.0

Panel B: Service years in the current department

	Frequency	Percentage
Less than 5 years	58	50.0
Between 5 to 10 years	29	25.0
Between 10 to 20 years	18	15.5
More than 20 years	11	9.5

Panel C: Service years in the university

	Frequency	Percentage
Less than 5 years	41	35.3
Between 5 to 10 years	22	19.0
Between 10 to 20 years	18	15.5
More than 20 years	35	30.2

Panel D: Frequency of being audited

	Frequency	Percentage
Every year	102	87.9
Once in 2 years	6	5.2
Once	8	6.9

Panel E: Familiarity with AI

	Frequency	Percentage
Not Familiar	54	46.6
Somewhat familiar	45	38.8
Familiar	17	14.7

Panel F: Centre

	Frequency	Percentage
Faculties	42	36.2
Branches	32	27.6
Departments	42	36.2

Panel B in Table 2 shows respondents' working experience in their current department. In terms of working experience in the currents department, 58 respondents (50 percent) have working experience less than five years. Twenty nine of the respondents (25 percent) have working experience between 5 to 10 years, 18 respondents (15.5 percent) have working experience between 10 to 20 years and 11 respondents (9.5 percent) have working experience more than 20 years. It is not surprising that majority of respondents have worked less than five years in each centre because of job rotation policy in the university.

Panel C, Table 2 shows the results of respondents' working experience in the university. In terms of working experience in the university, 41 (35.3 percent) respondents work less than five years. 22 (19 percent) has been working with the university for between five to 10 years. 18 (15.5 percent) have been with the university for between 10 to 20 years. While 35 (30.2 percent) work for more than 20 years in the university.

Panel D in Table 2 provides the frequency of being audited. One hundred and two (87.9 percent) of the respondents have been audited every year. While only six (5.2 percent) have been audited once in two years and eight (6.9 percent) have been audited once. It shows that almost 90 percent of the respondents have experienced audit process every year.

Panel E in Table 2 deals with respondents' familiarity with AI. Most of the respondents (46.6 percent) are not familiar with AI. Thirty eight percent of the respondents stated that they are somewhat familiar with AI and only 17 (14.7 percent) of the respondents are familiar with AI. AI was just introduced

recently and rating was done only once in 2008. As such, it is expected that majority of respondents are still not familiar with AI.

Panel F, Table 2 shows almost equal representation from the faculties, branches and department. Specifically, 42 respondents (36.2percent) are from the faculties, 32 respondents come (27.6 percent) from branches and 42 respondents come (36.2 percent) from departments.

Descriptive Statistic: Demographic Profile and AI

This section presents the results of analysis on the link between demographic profile and AI. In the questionnaire, the respondents were asked to complete 8 items related to AI. The respondents were asked to complete this section based on a 7 point scale of 1 as being strongly disagree and 7 as strongly agree. To get the overall perception of the respondents, their score is averaged to produce a "Mean of Section A". Table 3 presents the mean score of AI as provided by the respondents.

Table 3: Demographic Profile and AI

Panel A: Present Position

	N	Mean	Std. Deviation	Std. Error
Top Management	18	6.1389	0.50163	0.11824
Upper Management	16	6.1875	0.55902	0.13975
Management & Professional	33	5.7538	0.70468	0.12267
Academic	20	5.6188	0.55381	0.12384
Support group	29	5.7155	0.67389	0.12514
Top Management	18	6.1389	0.50163	0.11824
Total	116	5.8405	0.65016	0.06037

Panel B: Service years in the current department

	N	Mean	Std. Deviation	Std. Error
Less than 5 years	58	5.5819	0.55978	0.07350
Between 5 to 10 years	29	5.9440	0.67114	0.12463
Between 10 to 20 years	18	6.1944	0.55609	0.13107
More than 20 years	11	6.3523	0.59639	0.17982
Total	116	5.8405	0.65016	0.06037

Panel C: Service years in the university

	N	Mean	Std. Deviation	Std. Error
Less than 5 years	41	5.4787	0.58423	0.09124
Between 5 to 10 years	22	5.8807	0.73343	0.15637
Between 10 to 20 years	18	5.9444	0.58665	0.13827
More than 20 years	35	6.1857	0.48637	0.08221
Total	116	5.8405	0.65016	0.06037

Panel D: Frequency of being audited

	N	Mean	Std. Deviation	Std. Error
Every year	102	5.8199	0.64954	0.06431
Once in 2 years	6	6.0000	0.79057	0.32275
Once	8	5.9844	0.59925	0.21187
Total	116	5.8405	0.65016	0.06037

Panel E: Familiarity with AI

	N	Mean	Std. Deviation	Std. Error
Not Familiar	54	5.6944	0.65950	0.08975
Somewhat familiar	45	5.9167	0.63849	0.09518
Familiar	17	6.1029	0.56117	0.13610
Total	116	5.8405	0.65016	0.06037

Panel F: Centre

	N	Mean	Std. Deviation	Std. Error
Faculties	42	5.8810	0.56845	0.08771
Branches	32	5.7617	0.63924	0.11300
Departments	42	5.8601	0.73936	0.11409
Total	116	5.8405	0.65016	0.06037

Panel A of Table 3 shows that the mean score for all respondents is 5.84. Upper management scores the highest mean score of 6.19, followed by top management with a mean score of 6.14. Management and professional group has a mean score 5.75, academic group has a mean score of 5.62 and support group has a mean score of 5.72.

Panel B of Table 3 presents the mean score for respondents categorised according to the number of years they have been working in the current department. In terms of experience in current department, respondents working more than 20 years have the highest mean score of 6.35. Those working between 10 to 20 years have a mean score of 6.19, while staff working between 5 to 10 years has a mean score of 5.94. Lastly those working less than five years have the lowest mean score of 5.58.

Panel C of Table 3 reveals the mean score of respondents were grouped according to their working experience in the university. In terms of working experience in the university, staffs who have less than 5 years achieve a mean score of 5.48. Those working a bit longer (5 to 10 years) register a mean score of 5.88. The mean score for those working between 10 to 20 years is 5.94. The most experienced group (more than 20 years) has the highest mean score of 6.19.

Respondents' frequency of being audited and their respective mean is shown in Panel D of Table 3. Auditees that have been audited every year have a mean score of 5.82. For those being audited once in two years, they register a mean score of 6.00. Respondents who have been audited once have a mean score of 5.98.

Table 3, panel E shows the mean score for respondents grouped according to their familiarity with AI. The group that is familiar with AI has the highest mean score of 6.10, followed by those who are somewhat familiar with AI (mean score of 5.92). The group which is not familiar with AI has the lowest mean score of 5.69.

Panel F of Table 3 reveals the mean score for respondents categorized according to centres. Respondents working in faculties have the highest mean score of 5.88. Respondents at departments and branches have a mean score 5.86 and 5.76 respectively. It is concluded that the respondents at different centres have a similar mean score. The results indicate that they have a good perception about AI.

In summary, the results show that auditees in the university perceived the AI as good, meaning they understands AI and welcome the implementation of AI in the university.

Effect of Demographic Profile on Perception of AI

To provide testing on the relationship between demographic profile and perception on AI, a Multiple Regression method was used. This test was used to determine which variables of demographic profile

factor influence the respondents' perception on AI. Following this, this study anticipates that all the variables related to demographic profile influence the respondents' perception.

Table 4 presents the results of testing hypothesis 1. Hypothesis 1 examines the relationship between demographic profile and the perception about AI. Table 4, panel A shows that Model 1 takes into account only variable C4 (Service years in the university). The explanation power is 18.4 percent only. Model 2 adds C3 (Service years in current department) into the equation. As a result, the Adjusted R square has increased to 0.226 which means that the model explains 22.6 percent variation in the dependent variable. The final model adds C2 (Present position) on top of C4 and C3 to increase the Adjusted R square to 0.249.

In short, only present position (C2), Service years in current department (C3) and Service years in the university that is explained in Table 4 are included in the model. Furthermore, the explanation power is a bit higher if compared with the earlier model. The Adjusted R Square value indicates that the model accounts for 24.9 percent of variation in the perception about AI. Panel B on ANOVA tells that Model 3 has a *p* value of 0.000. The F value of 13.728 is more than 1 and there is no chance of inaccuracy within the model as $p < 0.05$. The model significantly improves the ability to predict the dependent variable.

Table 4: Descriptive Statistics

Panel A: Model summary of Hypothesis 1

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.437	0.191	0.184	0.58737
2	0.489	0.239	0.226	0.57214
3	0.519	0.269	0.249	0.56333

Panel B: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	9.282	1	9.282	26.905	0.000
	Residual	39.330	114	0.345		
	Total	48.612	115			
2	Regression	11.622	2	5.811	17.752	0.000
	Residual	36.990	113	0.327		
	Total	48.612	115			
3	Regression	13.070	3	4.357	13.728	0.000
	Residual	35.542	112	0.317		
	Total	48.612	115			

Table 5 presents the Standardized Beta Coefficients and Excluded Variables. Panel A of Table 5 shows the three models involved. For Model 3, the t values for C4, C3 and C2 are 1.982, 2.967 and 2.136 respectively. The significant values are *p*=0.050, *p*=0.004 and *p*=0.35 respectively. As such, C4, C3 and C2 are making a significant contribution to the model. The beta for C4 is 0.208 which means that the relationship is positive. For C3, the beta is 0.297 which indicates that the slope of the regression line is positive and not steep. The beta for C2 is 0.183 also indicate a positive relationship between C2 and the dependent variable.

Panel B shows independent variables which are not included in the model. They are centre, frequency of being audited and familiarity about AI. The results show that the adjusted R square is 0.249; F3,112 is 13.728 and *p*= 0.000 (using the stepwise method). Service years in the university (C4): beta of 0.208 and *p* of 0.050, Service years in Current Department (C3): beta of 0.297 and *p*=0.004 and Present position (C2): beta of 0.183 and *p*= 0.035.

The results show that hypothesis 1 is accepted for only three of the variables. The variables are present position, number of years in current department and number of years in the university. Such results are

consistent with Furnham (1992); Ward *et al.* (1993), Fadzil *et al.* (2005); Ahmad *et al.*, (2009); Sori et al. (2009).

Table 5: Standardised Beta Coefficients and Excluded Variables

Panel A: Standardized Beta Coefficients

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.294	0.119		44.642	0.000
	C4	0.227	0.044	0.437	5.187	0.000
2	(Constant)	5.170	0.125		41.500	0.000
	C4	0.146	0.052	0.281	2.785	0.006
	C3	0.174	0.065	0.269	2.673	0.009
3	(Constant)	5.507	0.200		27.555	0.000
	C4	0.108	0.055	0.208	1.982	0.050
	C3	0.191	0.064	0.297	2.967	0.004
	C2	0.086	0.040	0.183	2.136	0.035

Panel B: Excluded Variables

Model		Beta	t	Sig.	Partial Correlation	Collinearity Statistics
						Tolerance
1	Centre	-0.014	-0.162	0.872	-0.015	1.000
	C2 Present Position	-0.150	-1.712	0.090	-0.159	0.904
	C3Service years in current Department	0.269	2.673	0.009	0.244	0.663
	C5 Frequency of being audited	0.024	0.285	0.776	0.027	0.983
	C6 Awareness about AI	0.147	1.728	0.087	0.160	0.959
2	Centre	-0.014	-0.166	0.868	-0.016	1.000
	C2 Present Position	-0.183	-2.136	0.035	-0.198	0.889
	C5 Frequency of being audited	0.021	0.256	0.798	0.024	0.983
	C6 Awareness about AI	0.136	1.635	0.105	0.153	0.956
3	Centre	-0.014	-0.169	0.866	-0.016	1.000
	C5 Frequency of being audited	0.040	0.485	0.629	0.046	0.972
	C6 Awareness about AI	0.148	1.809	0.073	0.169	0.952

Frequency of being audited is also not a significant variable which is inconsistent to Sori, Ramadili, and Karbhari (2009) that explained auditees that have been audited many times understand and has a better perception about the roles of auditors better as compared to those experiencing it for the first time. Respondents in this study however did not behave as such. All of them have a highly positive perception about AI. Most of the respondents (88%) experience being audited every year. Only 14 respondents have a lesser frequency. Despite that, they scored, statistically, as high as the rest. This could be due to the facts that they are also subjected to other kind of processes similar to audit such as ISO: 2001 and TQM practiced at the university. With this kind of processes, they are always regarded any improvement process as good to them and their department.

With regards to familiarity with AI, it is expected that those who are familiar with AI will perceive AI significantly better than those who are not, as suggested by Specht (2005). AI has just been implemented in 2007 and has only one exercise in 2008 by NAD. Majority of the respondents are either not familiar with AI or somewhat familiar. It is noticeable in the descriptive statistics that those respondents who are familiar with AI have the highest mean score of 6.1, followed by those respondents who are somewhat familiar a (mean score of 5.9) and a mean score of 5.7 for respondents who are not familiar with AI. Such results are consistent to the results of (Specht, 2005) although not significant.

SUMMARY AND CONCLUSION

The study examines auditees' perception on AI. This study also includes examining the influence of the auditees' demographic profile in a Malaysian public university and their perception on AI. This is important since there is a proposal by NAD to apply AI in the university to enhance the audit process and internal control as a whole. This study uses questionnaire survey to capture the objectives in this study. All the respondents involved in answering the questionnaires are those who have been involved during audit. The response towards the questionnaires is considerably good which is 33.2 percent or 116 respondents out of 340 questionnaires being delivered.

One of the objectives in this study is to determine the auditees' perception on AI in a Malaysian public university. This objective is represented by a research question. The results in this study show that the respondents have a good perception about AI. The results implicate by the key finding in this study suggests that the probability of successful implementation of a rating system similar to AI in the university is high since the auditees in general perceived the system as beneficial.

The second objective in this study is to examine whether demographic profile such as position, working experience, frequency of being audited and awareness of AI have relationship on auditees' perception on AI. The results indicate that generally, auditees are receptive towards the idea of implementing AI. The regression analysis shows that three independent variables; position, number of years in the current department and number of year in the university contribute towards variation in auditees' perception about internal audit rating system. The findings also implied that staff in the lower position and/or are new staff in the department or in the university do not have a bad perception about AI. The results shown earlier indicate the receptive mood of the auditees towards AI. The findings in this study suggest that the Internal Audit Department of the university may proceed with their plan to introduce the system.

This study is not without limitations. First, the findings in this study are based on one university only. Therefore, the findings in this study may not be generalised to other settings. The results may be different if other setting is used. Second, the issue of biasness may arise due to the sample which focuses only on one university. The result in the study may be different if other universities are included in the study. Finally, the questionnaires were distributed during a festive season which resulted in fewer respondents, that is 116 (33 percent). This sample rate is acceptable (Sankaran, 2002). Higher rate of returned questionnaire may help in finding a better conclusion.

In summary, the findings in this study alleviate the gap in the literature and provide further understanding on the importance of AI for organisational success. Specifically, the findings in this study provides hindsight on the level of perceived importance of AI and the acceptance of the auditees at different centres on the implementation of AI is necessary to ensure that internal control and audit process is improved.

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