

Preface

Corporate governance has received increased attention from both regulators and researchers in recent years resulting in highlighting the significance of the internal audit function (IAF). Another transformative force on the IAF has been the dissemination of enterprise resource planning (ERP) systems which have an impact on the legitimacy of the IAF if it is not suitably adapted. However, there is insufficient knowledge about the adaptations of the IAF which are required if it is to maintain its essential role in governance. This book extends our knowledge by exploring and theorising the adaptation of the IAF after ERP introduction. This book uses institutional theory as a lens through which to investigate how the IAF responds to the external governance pressures and the internal pressures of the control logic following the introduction of an ERP system. Data were gathered from two listed companies in the food and beverage sector and two large banks operating in Egypt, where one of each pair is an international company and the other is a national company. Interviews and focus groups were conducted with all stakeholders in addition to careful analysis of a number of internal and external documents related to the ERP and the IAF.

The book finds that governance pressures related to the IAF determine the legitimisation criteria for the IAF. There is little coercive governance pressure on the IAF in Egypt. However, international companies with operations in Egypt have introduced normative governance pressures as a result of their compliance with stock exchange rules in other jurisdictions. Therefore, mimetic behaviour has helped in transferring the IAF response to ERP implementation. ERP systems carry new control logics based on some interlinked assumptions, which have affected the IAF. The ERP system's control logic is aligned with the corporate governance goals and objectives, but further alignment is needed to make the best use of the ERP system in enhancing internal control. The introduction of an ERP system produces uncertainty about the IAF's activities, which motivates it to adapt by changing its practice and structure. The changes in the IAF are dependent on the strategic response adopted by the auditors, which range from acquiescence to defiance. These responses were found to change over time. The differences in responses result in different outcomes for the IAF adaptation. In the international companies, the implementation of an ERP system motivates the IAF to be integrated and have a comprehensive scope, whereas in the national companies, change was resisted and the role of the IAF was significantly diminished. The IAF's legitimacy maintaining strategies depend on the coercive and normative governance pressures, which give directions about how to maintain legitimacy. This book offers an explanation of how information systems contribute to the IAF's professional stability or change and of how macro-governance pressures can bind micro-IAF practice within organisations.

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