




Factors affecting the quality of relationships between internal auditors and auditees in Iranian companies

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ABSTRACT

Despite the importance of constructive relationships for internal auditors, there is limited research on the factors affecting the quality of relationships between internal auditors and auditees. This study examines the impact of identifying the most important addressee and stakeholder, taking account of senior management's expectations, the diversity of internal audit activities, the application of information technology, the expertise and experience of internal auditors on the quality of relationships between internal auditors and auditees in Iranian companies. This article is quantitative in terms of methodology and a 5-point Likert scale questionnaire was used for data collection. Data analysis is based on the answers obtained from 262 internal auditors, certified public accountants, and other practitioners who answered the questionnaire in 2022. The results show that the identification of the most important addressee and stakeholder and the application of information technology in internal audit process have a positive and significant impact on the relationship between internal auditors and auditees, and these factors will improve the acceptability of internal auditors' recommendations in the organization, which will increase the effectiveness of internal audit function and reduce arguments and disagreements between internal auditors and auditees.

Keywords: Internal auditors, Auditees, Constructive relationships, Effectiveness' Arguments

INTRODUCTION

Internal auditors have an important and complicated role in their organization. They have the responsibility of serving many customers and stakeholders. These stakeholders include the operational units that are audited, the board of directors and senior managers that internal auditors report to. Leading and managing the relationship with stakeholders is a difficult task, but establishing strong relationships with them can help internal auditors not only survive in their careers, but also succeed (Garyn and McCafferty, 2021).

Communications and notifications occur at all stages of internal audit process, and communicating the results of an audit is an important part of all internal audit engagements. Different issues usually arise during internal audit process that require urgent and special attention of management. Timely communication of such issues allows management to address and resolve them as soon as possible (Anderson et al., 2017).

To identify existing gaps in the operations and prioritize stakeholders' requests, internal auditors should always know which person or unit is their stakeholder and what their expectations include, so that internal auditors can satisfy their expectations (Gunner, 2008). Auditors and researchers believe that an effective and healthy communication with stakeholders is crucial to achieving goals. In order to fulfill all the responsibilities stated in their charter, internal auditors must establish and maintain strong and constructive relationships with other managers and employees of the

organization's business units and cooperate with compliance experts, external auditors, and other stakeholders (Chambers, 2018). Nevertheless, the relationships with auditees are very sensitive and fragile, and these relationships are mainly based on the trust built over time. Internal auditors are responsible for establishing a good and trust-based relationship with auditees (Chambers, 2021).

In general, relationship management can often be difficult and challenging. What a person expects and demands from communications can be complex and vague, leading to misunderstandings, inefficiencies, and even resentment. Poor and superficial communications between chief audit executive and auditee (or audit committee as one of the main stakeholders of internal audit function) bring about more than doubt and uncertainty. Uneasy relationships with auditees could pose a serious threat to good and effective governance by creating misunderstandings, internal audit activities without sufficient resources, weakened independence of internal auditors, inadequate assurance services, inefficiencies and lost opportunities (Institute of Internal Auditors, 2020).

In the process of internal audit, managing relationships and interactions with stakeholders can be difficult for internal auditors, because the performance of different units of an organization is assessed and judged by internal audit function. Therefore, the main challenge of internal audit function is to strike a balance between maintaining constructive and effective communications with management and providing accurate and timely assurance services to the board of directors and audit committee—as the main stakeholders of internal audit function (Sheppard, 2021). On the other hand, internal auditors are often regarded as a nuisance. According to many stakeholders, internal auditors invade their territory to severely analyze and evaluate their work so that they could discover a mistake or a negative point without having a thorough understanding of what their stakeholders deal with on a daily basis. Additionally, stakeholders believe that internal auditors only turn up when they want to inform them of the wrong things being done and then leave stakeholders with the unpleasant consequences afterwards (David, 2021).

When an auditee is reluctant to cooperate with internal audit function, the likelihood that internal auditors miss an issue or problem in the audit process will increase. If a weakness or problem is discovered after an internal audit engagement, the reputation of the internal auditors may be ruined among the main stakeholders (D'Onza and Sarens, 2017).

Management and internal auditors are not always in total agreement. Conflicts and quarrels between these two groups may emerge very quickly and easily during the reporting phase. At times, most of the objections may be so serious that reduce the ability of internal auditors to perform their duties (Chambers, 2021).

Since internal auditors on their own cannot improve the internal control system, risk management, and corporate governance of an organization, they should drum up the support of auditees in a way that their independence and objectivity are not undermined. Thus, internal auditors should consider the legal interests of auditees and carefully manage and handle the relationships with them (Sakka and Manita, 2011).

So far, several research studies have been conducted with the aim of investigating the effectiveness and efficiency of internal auditors and their determinants (Turetken et al., 2019; Alzeban and Gwilliam, 2014; Mihret and Yismaw, 2007; Endaya and Hanefah, 2013). Since the effectiveness of internal auditors can be affected by the behavior and attitude of auditees (Lenz and Hahn, 2015), previous research into the quality of relationships between internal auditors and auditees is scant (D'Onza and Sarens, 2017; Sarens and DeBeelde, 2007; Arena and Azzone, 2009).

Article 4 of the Internal Audit Charter of the companies listed in Tehran Stock Exchange implies the importance of effective relationships between internal auditors and auditees, in a way that it clearly states that the board of directors consider all employees responsible to provide internal audit function with authentic documents and information on a timely basis (Iran's Internal Audit Charter, 2012). In addition, the corporate governance framework of Tehran Stock Exchange states that the board of directors of companies should establish an independent internal audit function and monitor it in accordance with rules and regulations, and evaluation reports of internal audit function regarding internal controls should be presented to board of directors every three months (Corporate Governance Framework of Tehran Stock Exchange, 2022). Thus, this research was conducted in order to investigate the factors affecting the relationship between internal auditors and auditees in the context of Iranian organizations. Based on the responses from 262 certified public accountants (CPAs), internal auditors, and other practitioners who participated in the questionnaire in 2022, this research examines the quality of relationship between internal auditors and auditees so as to comprehend how effective and constructive communications have been established with auditees and according to the literature and theoretical framework, we analyze the factors affecting the quality of relationships between internal audit function and auditees. Moreover, the opinions of internal auditors and certified public accountants have been reviewed in order to evaluate the ability of internal audit function to establish constructive communications with auditees.

Our research contributes to the research literature in two ways. First, this research can complement the research literature related to the factors affecting the quality of relationships between internal auditors and auditees. D'Onza and

Sarens (2017) proposed to examine other factors affecting the quality of relationships between internal auditors and auditees. In this research, we have taken up that suggestion by examining the factors that can complement the factors examined in that research.

Second, this research expands the existing theoretical framework related to the relationship between internal auditors and auditees. Therefore, a regression model is proposed to evaluate the factors that could positively influence the relationship between these two units. Our paper differs from the research of Arena and Azzon (2009), which only measures the quality of relationships between internal auditors and auditees based on the percentage of the recommendations implemented by auditees. Also, this research is different from the paper of D'Onza and Sarens (2017) in a way that the factors examined in this research are more than the factors examined in their paper. Given the problems that may occur in case auditees do not cooperate with internal auditors, there might be likelihood that important information will be hidden from internal auditors by auditees and the possible effectiveness of the internal auditors will be reduced. Since the quality of relationships with auditees is vital and can play an effective role in the success of internal auditors in achieving their goals, we decided to expand and complement the research of D'Onza and Sarens (2017).

Given the fact that the effective and constructive communications of internal auditors undoubtedly plays an important role in the quality of consulting and assurance services (David, 2021), the results and findings of this research can provide appropriate insights regarding the quality of relationships between internal auditors and auditees. Therefore, chief audit executives can develop a suitable framework regarding the overall policies of internal audit function by taking the findings of this research into account so that the quality of relationships between internal auditors and auditees becomes more productive and effective than the past in order to improve assurance and consulting services provided by internal auditors.

The remainder of this paper is organized as follows: In the next section, the theoretical framework is examined and hypotheses are formulated. Then, the research method is discussed and, the results are presented. Finally, the findings are discussed and conclusions are made.

LITERATURE REVIEW AND RESEARCH HYPOTHESES

The quality of relationships between internal auditors and auditees

It is obvious that all organization departments want effective relationships with their stakeholders. In order to achieve this goal, they set specific standards for managing relationships with their clients (Vonya Global, 2022). As a general rule, successful employees in an organization are not necessarily the most competent or proficient people. In fact, they are the people who can convince and encourage other people. Usually, such people possess charisma and the ability to feel empathy with others, as well as the ability to communicate effectively with stakeholders. (Coleman, 2021). On the whole, building a relationship of trust with management by internal auditors to gain their support towards the function and its recommendations is a key element in the effectiveness of internal audit function (Vafaei et al., 2023). Internal auditors can have charisma and the ability to create a sense of friendship with stakeholders in case they have certain characteristics (such as expertise, experience, the capability of applying information technology, taking account of senior management's expectations, the ability to correctly identify the most important addressee and stakeholder, and the ability to use different audit procedures).

Effective relationship with key stakeholders is an essential step for the success of chief audit executive in leading internal audit function. Internal audit's key stakeholders (the board of directors and audit committee—who may have conflicting duties) are growingly asking chief audit executives to partner with senior management when providing assurance and advisory services. Many chief audit executives believe that establishing a deeper relationship with all stakeholders is absolutely vital. Today's business environment requires internal auditors to have the ability to understand the needs and duties of multiple stakeholders (CFO Innovations, 2011). Also, internal auditors (as trusted advisors) should have a special ability to adapt to the expectations of stakeholders. However, if internal auditors provide stakeholders with something they do not want, or on the other hand, internal auditors cannot provide stakeholders with what they want, internal auditors cannot accomplish favorable results in their work (Chambers, 2017).

On the other hand, a broad understanding of computer systems and the risks associated with automatic processing is part of the basic knowledge of internal auditors (Pickett, 2004). Nevertheless, IT is an area in which internal audit teams find it difficult to maintain an appropriate level of expertise and competence (Fountain, 2016). However, internal auditors should consider several important factors when planning an audit in order to determine the appropriate audit procedure. The audit world that internal auditors use is divided into six audit areas, which are: management audit, operational audit, financial audit, IT audit, fraud audit, and business audit. In practice, each of the mentioned audit areas

has the same importance for internal audit (Kagermann et al, 2008). Therefore, the ability of internal auditors to be flexible in the methods used in internal audit process is of fundamental importance.

In order to be successful in their profession, internal auditors must have a set of qualities and skills that are not usually seen in an ordinary person. For example, they should have an analytical mind with high concentration and attention abilities, as well as an amiable person with excellent communication skills. While they have the curiosity and creativity necessary to pioneer in their profession, internal auditors must also obey the rules (McCafferty, 2021).

Each of the factors influencing the quality of relationships between internal auditors and auditees that have been examined in this research are discussed respectively in the rest of this section.

Internal audit and the most important stakeholder and addressee

One of the fundamental reasons for the existence of the internal audit function is the concern of stakeholders for the proper functioning of the organization (Álvarez-Foronda et al., 2023).

For internal auditors, the ability to communicate with various stakeholders is essential. Internal auditors have a wide range of stakeholders. Another issue that distinguishes an internal audit function from other departments is that the internal audit profession requires internal auditors to do their job in other departments of organization and examine the systems of those departments and put forward solutions to improve the systems examined. As discussed, internal audit function has various stakeholders, but in order to add value to stakeholders, it is necessary to be aware of their expectations (Coleman, 2021). If internal auditors ask their stakeholders how internal audit function adds value, internal auditors will likely hear different answers from each stakeholder. For example, a CEO may focus on the recommendations related to improving efficiency, while a CFO may describe audit's value in cost savings; An audit committee member may talk about independence and objectivity, and a chief information officer may refer to internal auditor's recommendations related to an issue of information security, but a human resources manager may emphasize the value of internal audit as a pipeline to describe organizational leadership (Chambers, 2018).

Internal auditors should always know who the stakeholders are and what their expectations are, so that the gap in the process is identified and their requests are prioritized. As a result, internal auditors can respond to their expectations (Guner, 2008). Nowadays, due to an increase in legal requirements and the focus on risk management and leadership, the value-added aspect of internal audit has attracted the attention of all stakeholders (Cohen and Sayag, 2010). The requirements imposed by internal and external stakeholders on internal audit function are continuously increasing and the attention given to this function is changing. In the past, the roles and duties of internal and external stakeholders have been the focus of internal audit. Currently, the focus of internal audit has changed to how internal audit can create added value to the organization (Allgerini et al., 2006; Coetzee and Erasmus, 2017).

Chief audit executive should identify all stakeholders and conduct an assessment of their expectations and identified gaps. Assessments can be done through interviews, discussion sessions, and questionnaires. Once the gaps and expectations are identified, chief audit executive must develop an appropriate plan to respond to them (Nzechukwu, 2017). Internal auditors should adjust internal audit plan in such a way that it not only meets the needs of main stakeholders, but also creates value for operational managers. Managers of auditees are often aware of the existence of problems and are seeking solutions. Internal auditors should help them design and implement effective internal controls to reduce the critical risks of company. They prefer internal auditors to focus more on the areas associated with much risk or are of particular importance to them (Chambers, 2019).

Internal audit is a tool for the board of directors and senior management to be assured that all parts and departments of organization, resources, systems, and processes are effective and efficient for managing an organization. On the other hand, internal audit is an independent confirmation that the organization's efforts are effective and reactive against current and emerging threats. The board of directors and senior management can advance their goals in monitoring organization's operations by ensuring that professional reviews and tests are performed by a competent authority (Swanson, 2010). Being oblivious to key and important stakeholders has a negative impact on the relationship between internal audit function and its stakeholders. At the strategic level, when internal audit function has to respond to a wide range of stakeholders' requests, it becomes more difficult to prioritize and balance the stakeholders' expectations when deciding internal audit strategy and plan. Failure to identify the most important stakeholder has a negative impact on internal audit objectives. When the roles, strategy and plans of internal audit function are not clearly defined, as a result, very ambitious goals with the intention of satisfying all stakeholders are created. These conditions may have a negative impact on the relationship between internal auditors and auditees (D'Onza and Sarens, 2017). Therefore:

H1: The correct identification of the most important addressee and stakeholder has a positive impact on the relationship between internal auditors and auditees.

Considering senior management's expectations in internal audit process

At the first step, chief audit executive must grasp the needs of stakeholders. By doing so, the ability of internal audit function to provide added value to organization is increased (Pitt, 2014). The standards established by the Institute of Internal Auditors (Institute of Internal Auditors, 2009) specify that the head of internal audit function must consult with senior management and the board of directors about their opinions and inputs in order to develop audit plan. Various studies have emphasized that the main feature of a successful internal audit function is the coordination of the goals and activities of internal audit function with the goals of organization as well as the expectations of main stakeholders (Roth, 2000).

An effective and comprehensive risk-based internal audit plan is one of the most important features necessary for the success of internal audit as a strategic and value-added partner (Zupan, 2018). Anderson and Svare (2011) believe that the analysis of senior management's expectations is an essential step in effective planning of internal audit activities, because this analysis enables the act of allocating internal audit resources to processes and operations. To perform an effective audit, it is essential that internal audit function consider auditee in the audit planning phase. This will make both parties aware of the scope of an audit. Welcoming the opinions and information provided by auditees reduces or eliminates hostility, because they know better what an audit engagement will do to improve the system or process. The participation of managers in the planning stage not only increases the transparency of an audit, but also reduces the intensity of this idea that internal auditors will only come to catch auditees red-handed. A copy of an audit plan should be provided to auditee so that they can prepare for audit engagement (Quainoo, 2020).

Working and interacting with stakeholders (CEO or audit committee) is a mutual process. Periodic meetings make internal auditors able to explain their function's role within the framework of good governance and to convey the value of independent and objective assurance as well. On the other hand, stakeholders have the opportunity to negotiate internal audit's performance, risks, and major issues they wish to be included in audit plan (Institute of Internal Auditors, 2020). Internal audit's stakeholders and their expectations can be significantly different in one organization than in other organizations. Chief audit executive must constantly review current and potential stakeholder groups and assess their needs and expectations. Also, the needs and expectations of stakeholders and the possibility of their significant change in a short period of time are vitally important (Chambers, 2019).

It does not matter if the stakeholder is the board of directors or executive management; all of them are focused on the success of their organization in achieving goals. Generally, they want to see that internal auditors have similar goals and focus on how to help these departments succeed. Internal auditors should be the masters of their organization's field of activity (Witzany and Harrington, 2016). Internal audit's primary focus is on assurance activities, and many of board and audit committee members expect the focus to be on this area. However, consulting activities may create quick and tangible added value, improve communications, and enhance the reputation of internal auditors in their organization (Garyn, 2021). Therefore, the second hypothesis is formulated:

H2: Considering the expectations of senior management in internal audit process has a positive impact on the relationship between internal auditors and auditees.

The importance and necessity of diversity of internal auditing activities

Today, internal audit is achieving a better balance between operational, reporting, compliance, information technology, fraud and strategic issues. Moreover, internal auditors deal with more than just accounting, compliance and tax activities (Murdock, 2016). Regarding the value-added factors of internal audit function, Roth (2000) argues that an excellent internal audit function provides a variety of services in order to respond to the requests of different stakeholders. Audit fields are the main duties of an internal audit function. Therefore, most audit requests can be classified within the scope of audit activity (Kagermann et al., 2008).

Increased competition, a shrinking world, decentralization of operations, and management's desire to oversee an organization's overall operations have increased the number of internal auditors engaged in operational auditing. Operational audit, as one of the fields of internal audit activities, has enabled internal audit function to be a reliable and value-added consultant for management (KPMG, 2016). On the other hand, internal auditors can detect corporate fraud. A classic example is the case of Worldcom, which internal auditors were instrumental in uncovering and helping expose accounting "mistakes" that were supported by some of the company's key executives (Bishop, 2004). In this case, internal audit must have an appropriate reaction by examining where the risk of fraud exists in the company and by conducting an audit of the controls related to that area (Internal Audit Standard 2120). Internal audit is not responsible for preventing fraud in an organization; In fact, this is the responsibility of management (as the first line of defense).

Internal auditors should use their expertise to analyze data in order to identify the trends and patterns indicating fraud and abuse (Institute of Internal Auditors, 2019). On the other hand, internal auditors use management audit to evaluate whether or not there is a suitable management team in the company to achieve organization's goals. management team focuses on strategic goals and enables a company to adapt its key human resources to changing business environment. Management audit not only includes a review of strategy and how these strategies are implemented, but also includes the evaluation of the competence of management teams (such as hard and soft skills). A good management audit uses qualitative criteria to analyze whether management can effectively achieve a company's strategy, as well as to evaluate the structure, skills, and attitudes of management (Craig-Cooper and De Backer, 1993). The scope of management audit is assessing whether an organization has deployed sufficient and appropriate tools to achieve the strategies or not. In addition, the scope of management audit is not simply checking the effectiveness of these tools at the operational level (Lewington, 1991). As a result, management audit provides an explanation for past mistakes, but in particular, management audit can be a proactive step to provide the board with necessary assurances about timely and correct completion of plans. Additionally, management audit is designed to be a continuous and prospective tool for improving management skills and capabilities. Therefore, management audit should be a necessary and inseparable tool of corporate governance for organizational self-evaluation and causing change (Brender and Fragniere, 2015).

Also, information technology — as a key part of management — has become very important in recent years, because information systems and the technology related to them affect all aspects of an organization's activity (Bhattacharjya and Chang, 2007). Since most organizations depend to some extent on information technology in order to carry out their activities (Cica, 2010), therefore, internal audit function can help the board of directors and senior managers fulfill the responsibilities of information technology leadership by monitoring risks, identifying weaknesses in internal control system, and partnering with management and audit committee (Arena and Azzone, 2009; Rittenberg and Anderson, 2006).

Nowadays, the communications with external individuals and organizations (such as important partners or vendors) expose organizations to risk, and as a result, these communications require the attention of internal auditors. Management or the board of directors may involve internal auditors in the audit of external communications for various reasons (such as conflict de-escalation, legal claims, etc.). The purpose of business audits or business reviews is usually to ensure compliance with legal and contractual requirements and to assess the risks related to external communications (Kagermann et al., 2008). To consider the role of internal audit in external business relations, the following cases should be taken into account: a) organizations have many external business relations that satisfy their diverse business needs; b) every communication has some risks; c) the responsibility of managing these types of risks rests with management; d) internal audit has a key role in assisting management and supporting management efforts (IPPF, 2009). Therefore, the third hypothesis is developed as follows below:

H3: The diversity of internal audit activities has a positive impact on the relationship between internal auditors and auditees.

The necessity of using IT in internal audit

The accounting and auditing profession have undergone significant transformation due to advancements in artificial intelligence (AI), machine learning, blockchain, robotic process automation, data visualization, and process mining, all of which are reshaping traditional methods of information production, review, and analysis (Emett et al., 2024). Using appropriate audit methods and procedures helps internal audit function improve the quality of its services (Spira and Page, 2003).

Internal auditors gather audit evidence from recorded information to support their audit results. Audit evidence includes paper documents and data, which have authorized signatures or notes that prove that the documents and transactions were recorded in a timely manner. But today, most of these documents are based on information technology and are paperless (Moeller, 2009). Therefore, technology-based audit methods play an important role in audit processes (Nzechukwu, 2017). Since the value-added role of internal auditors is very important, field studies on the value-added factors of auditors have shown a positive relationship between the effectiveness of internal audit and the use of auditing techniques and methods, such as computer assisted audit techniques (Braun and Davis, 2003).

Internal auditors perform broader tasks than external auditors, such as examining operational and financial issues, assessing fraud risks, etc. (Araj, 2015; Carcelo et al., 2020). Internal audit's role in implementing IT initiatives is diverse, but this diversity creates a significant opportunity for internal audit to add real value to executive management and the board of directors. In other words, internal auditors should play an important role in ensuring the correct management of investments in information technology and its positive impacts on the organization. A well-managed IT project is of critical importance (Swanson, 2010).

Information technology is an integral part of most companies. The information provided through information technology must meet the requirements of business processes in order to achieve organization's goals. Being a broad category, information technology has established itself as a separate field of auditing (Kagermann et al., 2008); Therefore, in accordance with the standards of the Institute of Internal Auditors (2017), "Internal auditors must have sufficient knowledge of key information technology risks, controls, and technology-based audit procedures to perform their work." Internal auditors must have the necessary competence to use data analysis in auditing in order to perform their duties effectively and efficiently. Also, internal auditors have more access to accounting data and can quickly discover frauds and discrepancies by using data analysis. Although current regulations do not encourage or prohibit the use of data analytics for external auditors, it is more likely that external auditors will focus on the methods which are necessary to meet legal requirements. But the rules and regulations of internal audit are not as strict as the regulations of external auditors. As a consequence, this matter brings about the flexibility of different analysis tools in internal audit profession (Li et al., 2018).

On the other hand, organizations can be faced with a wide range of external threats that arise from information technology. These threats include computer crimes, fraud, errors and omissions (De Haes and Van Grembergen, 2009; Weill and Ross, 2004). Today, many of the fundamental risks that organizations face are related to technology. As a result, internal auditors pay meticulous attention to some areas such as cyber security, data privacy, and social networks. These areas (and others related to technology) are likely to create destructive barriers for an organization (Ken Tysiac, 2015; Cardoso et al., 2009). In addition, the increased trust in information technology has exposed many organizations in the world to new risks (Hadden, 2002). Therefore, the board of directors and audit committees expect internal audit function to express their views, from both assurance and advisory aspects, on the management of cyber risks. Stakeholders need unbiased assurance that validates IT plans and programs, examines all cyber risks, and addresses management's approach to reducing cyber risks (Deloitte, 2017). Examining and discussing the risks and controls of IT is a practical way to influence management (Swanson, 2010). Thus:

H4: The use of information technology in internal audit process has a positive impact on the relationship between internal auditors and auditees.

The importance of the skills and expertise of internal auditors

Planning an audit engagement should be based on appropriate knowledge and proficiency. Having the necessary expertise and competence will help internal auditors gain acceptance in their organization (Kagermann et al., 2008). Technical skills are necessary, but may not be sufficient on their own. An effective internal auditor has remarkable non-technical skills as well as considerable technical skills. Furthermore, internal auditors should have the flexibility to change priorities and respond effectively to changing business conditions (Fountain, 2016).

Audit professionals in all parts of the world believe that internal auditors should have extraordinary non-technical skills in addition to technical skills, and these non-technical skills include soft skills such as establishing effective communications, collaborative working, communication skills, interviewing, negotiations and teamwork (Coleman and Kasahara, 2019; Jacka, 2018; Jackson, 2015; Cowan et al., 2014; Chambers and McDonald, 2013; Steyn et al., 2013). When internal auditors display more experience and knowledge in governance, risk, and controls, they help auditees have positive expectations, because they can benefit from the recommendations offered by internal auditors (D'Onza and Sarens, 2017).

Effective internal auditors should have a combination of skills to perform audit (Lenz and Hahn, 2015) and provide valuable assurance and consulting services in a changing business environment (PricewaterhouseCoopers, 2016). Lack of necessary skills is the root cause of very low and limited influence of internal audit function. An organization expects its internal audit function to provide assurance and recommendations regarding internal controls, reporting, and risk management, and to anticipate risks and issues. Also, internal auditors are expected to engage in decision-making processes and provide solutions before problems arise, and not to simply report the problems which have occurred (Deloitte, 2017).

Auditors must have excellent communication skills in order to be successful in their profession. Listening, writing, and speaking skills are needed for auditors to facilitate understanding of audit findings and improve their ability to effectively carry out the responsibilities. Auditors are constantly collecting, classifying, analyzing and explaining information to auditees and operations management. Internal auditors must have advanced written and verbal skills to communicate with management, auditees, and colleagues. Improving these skills will likely increase internal auditors' potential salary and promotion opportunities (Smith, 2005). Internal auditors should consider the values of employer, pay attention to the facts regarding issues and problems, and provide useful and practical recommendations. Making

fair assessments of business processes can make internal auditors a trusted advisor. Managers appreciate auditors' efforts for corrective recommendations (Murdock, 2016). as a result:

H5: The expertise of internal auditors has a positive impact on the relationship between internal auditors and auditees.

The importance of internal auditors' experience

Experience can be defined as the number of years of activity of auditors in internal audit function. But Carpenter et al. (2002) argue that experience is not necessarily the number of years of activity, but experience can be considered as an activity in a teaching and learning environment that provides feedback. An internal audit function that is relatively old and long-standing performs more advanced audit activities, has more employees with professional internal audit qualifications, and focuses and invests more in quality assurance and improvement initiatives than an internal audit function with a shorter lifespan (Sarens et al., 2011).

In addition, if it is assumed that the establishment of an internal audit function is not necessary, the number of years that this function has existed can be used as an indicator to measure the satisfaction of the stakeholders with the services of internal auditors (D'Onza and Sarens, 2017). In order to perform internal audit, internal auditors need to have experience, education, training and professional competence in order to perform the necessary tasks in internal audit (Al-Twajry et al., 2004). Skilled and experienced auditors have more ability to put forward recommendations related to improving internal control systems. Moreover, more experienced internal auditors can complete audits while giving useful recommendations and resolving complex auditees' problems (Flesher and Zanzig, 2000).

The experience and skills of internal auditors can increase the effectiveness of internal audit team by improving the understanding of their role in organization. But, previous studies show that executive managers do not believe that internal auditors have sufficient knowledge and experience to provide assistance and advice (Griffiths, 1999; Van Peursem, 2004) — if anything, these managers pay no attention to auditors' recommendations and as a result, internal audit function's effectiveness is reduced (Van Peursem, 2004).

Behavioral researchers have paid special attention to the impact of experience on decision-making process (especially in important fields such as auditing). This attention of researchers indicates that experience is an important topic for investigation and research (Lehmann and Norman, 2006), because auditing experience affects auditors' professional methods and professionalism and this matter has a significant impact on the effectiveness and efficiency of audit engagements (Intakhan and Ussahawanitchakit, 2010). When auditors gain experience, it is a sign that they know more about common mistakes, have more accurate and correct knowledge about mistakes, and know the root cause of these mistakes (Gaballa and Ning, 2011). As a result:

H6: The experience of internal auditors has a positive impact on the relationship between internal auditors and auditees.

RESEARCH METHODOLOGY

Research instrument

In order to collect research data, a questionnaire was used. For this purpose, the questionnaire was sent out to 262 Iranian internal auditors, Certified Public Accountants (CPAs), and other practitioners. The research questionnaire was prepared using technical and theoretical literature.

Since there are many measurement tools available to researchers, researchers must be careful to consider several factors in deciding whether a particular instrument is appropriate for data collection or not. An assessment of the psychometric properties of research instrument—validity and reliability—is always the first step (Marczyk, 2005). In order to test the validity and ensure the correct development of the questionnaire, we first sent the questionnaire to three university professors and specialists in internal audit. After receiving their corrective comments, we prepared the final questionnaire. On the other hand, to check the reliability of the questionnaire, Cronbach's alpha was used and the Cronbach's alpha coefficients for all research variables (including dependent and independent variables) were greater than 0.7; therefore, the reliability of the questionnaire has been confirmed. The results of the reliability test of the questionnaire are presented in **Table 1**.

Table 1. Results of Cronbach's alpha

Variables	Number of questions	coefficient	result	Overall Cronbach's alpha
Quality of relationship between internal auditors and auditees	5	0.819	Confirmed	0.919
The most important addressee and stakeholder	7	0.760	Confirmed	
Considering senior management's expectations	9	0.840	Confirmed	
Diversity of internal audit activities	6	0.827	Confirmed	
Internal auditors' expertise	7	0.799	Confirmed	
Use of IT in internal audit	5	0.811	Confirmed	
Internal auditors' experience	5	0.814	Confirmed	

From June 2022 to August 2022, an online questionnaire was sent out to 868 Iranian internal auditors, Certified Public Accountants (CPAs), and other practitioners. Finally, 262 usable questionnaires were collected, which constituted the total response rate of 30.18.

Variable description and model specification

Dependent variable

In order to examine the dependent variable— the quality of relationship between internal auditors and auditees— the items of D'Onza and Sarens (2017) questionnaire were used, which are presented in **Table 2**. For each item of this variable, we asked the statistical population to express their level of agreement or disagreement on a 5-point Likert scale (from strongly disagree to strongly agree).

Since the Cronbach's alpha coefficient for the dependent variable is 0.819, the items of this variable have good reliability. It can be claimed that the relationship between internal auditors and auditees is of high quality if auditees behave transparently and honestly, cooperates with internal auditors, behaves constructively when dealing with internal auditors, consider and welcome the recommendations by internal audit function, and they consider internal auditors as their partners and colleagues (D'Onza and Sarens, 2017). Therefore, variable QUALITYREL is the dependent variable in our regression model.

Table 2. Quality of relationships between internal auditors and auditees

Auditees behave honestly and transparently towards internal auditors.
Auditees cooperate actively with internal auditors.
Auditees behave helpfully and constructively when dealing with internal auditors.
Auditees consider and welcome the findings and recommendations by internal audit function.
Auditees consider internal auditors as their partners and colleagues.

Independent variables

The independent variables and how they are measured are presented in **Table 3**. These six independent variables were used to test the research hypotheses.

Table 3. Description of the independent variables

Variable	Definition	Measurement
MAINSTK	Identifying the most important stakeholder and addressee	This variable was measured using a 5-point Likert scale (completely disagree to completely agree). The respondents were asked to state their agreement regarding the reporting of internal audit function to audit committee, the board of directors, or CFO, as well as the determination of internal audit function's budget by audit committee, the board of directors, and CFO, and knowing the most important addressee and stakeholder of internal audit function.
INPUTSM	Considering senior management's expectations	This variable was measured using a 5-point Likert scale (completely disagree to completely agree). The respondents were asked to announce their agreement regarding the alignment of internal audit plan with the strategic plan of organization, considering and paying attention to the root cause of the problems in recommendations, identifying emerging risks and providing recommendations about them, keeping knowledge up-to-date with the changes in the business and the industry by internal auditors, evaluating important issues for the organization and auditee, letting senior management know of internal audit plan, in-person notifications and communications (instead of being written), meeting and communicating with auditees in a constant and steady way, and the necessity of senior management's participation in internal audit planning process.
NUMACT	Diversity of internal audit activities	This variable was measured using a 5-point Likert scale (completely disagree to completely agree). Respondents were asked to state their level of agreement in connection with financial audit, operational audit, compliance audit, fraud audit, management audit, and audit of outsourced operations by the organization.
AUDEXP	Expertise of internal audit function	This variable was measured using a 5-point Likert scale (completely disagree to completely agree). The respondents were asked to indicate their level of agreement regarding familiarity with IPPF, familiarity with the industry in which internal auditors are engaged, having knowledge related to information technology and cyber security, complete familiarity with control environment, current risks, corporate governance, having business acumen, familiarity with communication skills and applying them, and having critical/analytical thinking.
REVMETH	The use of IT in internal audit process	This variable was measured using a 5-point Likert scale (completely disagree to completely agree). The respondents were asked to state their level of agreement regarding the increase in audit quality if computer assisted audit techniques are used, the familiarity of internal auditors with the framework of risk management and information technology control (such as COSO), having sufficient knowledge to use computer assisted audit techniques, and the modification of audit procedures according to the environment.
YEAREX	Internal auditors' experience	This variable was measured using a 5-point Likert scale (completely disagree to completely agree). Respondents were asked to state their agreement regarding better and greater understanding when dealing with auditees and data in case of gaining more experience, more effective internal audit process in case of a favorable level of education and training of employees, providing more useful recommendations in case of gaining experience, and higher quality of internal audit function and its employees in case of a long-standing function.

Model specification

Since our purpose is to predict the quality of relationship between internal auditors and auditees using independent variables, we developed a regression model to examine and analyze the impact of independent variables on the quality of relationship between internal auditors and auditees. We used the following model to predict and explain the quality of relationships between internal auditors and auditees in Iranian context (D'Onza and Sarens, 2017; D'Onza et al., 2015):

$$\text{QUALITYREL} = \beta_1\text{MAINSTK} + \beta_2\text{INPUTSM} + \beta_3\text{NUMACT} + \beta_4\text{AUDEXP} + \beta_5\text{REVMETH} + \beta_6\text{YEAREX} + \varepsilon$$

RESULTS

Demographic characteristics of the respondents

According to **Table 4** and the results of the demographic characteristics, 19.5% of the respondents had a bachelor's degree, 64.9% of them had a master's degree, and only 15.6% of the respondents had a PhD. As a result, the majority of the respondents had a master's degree, and the other respondents had a bachelor's degree and a PhD respectively. In terms of experience, only 3.1% of the participants had less than five years of experience and 13.4% of the respondents

had 5 to 10 years of experience. On the other hand, 50.8% of the respondents had 11 to 20 years of experience and 32.8% of them had more than 21 years of experience. Due to the significant role of experience in enhancing the quality of internal auditors' services, it can be concluded that 83.6 percent of the respondents had more than 11 years of experience, and this number of samples is acceptable in terms of experience. Regarding age, Only 5.7% of the respondents were less than thirty years old, and 50.4% of the respondents were between thirty and forty-five years old and 43.9% of them were more than 46 years old. Given the fact that the age of auditors could be associated with their experience, we can conclude that most of the respondents had the appropriate age and experience to answer the questionnaire. 19.8% of the respondents had other professional degrees (such as judicial expert). Most of the respondents (37.4%) had a CPA license, 22.1% had a CIA certification, and 20.6% of them had both CPA license and CIA certification. CPA license and CIA certification are among the qualifications that can increase the level of knowledge, competence, and ability of internal auditors in internal audit profession. Therefore, by observing the result that about 80.2% of the respondents had professional degrees, it can be claimed that the sample's professional degrees are in a satisfactory state.

Table 4. Demographic characteristics

Demographic variable	Frequency	Percentage (100%)
Gender		
Male	230	87.8
Female	32	12.2
Total	262	100
Academic qualifications		
Bachelor's degree	51	19.5
Master's degree	170	64.9
PhD	41	15.6
Total	262	100
Years of experience		
Below 5 years	8	3.1
5-10 years	35	13.4
11-20 years	133	50.8
Over 21 years	86	32.8
Total	262	100
Age		
Below 30 years old	15	5.7
30-45 years old	132	50.4
Over 46 years old	115	43.9
Total	262	100
Professional degrees		
CPA license	98	37.4
CIA certification	58	22.1
Both CPA license and CIA certification	54	20.6
Other degrees	52	19.8
Total	262	100

Descriptive statistics

Table 5. Descriptive statistics of research variables

Type of variable	Variable	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Total
Dependent variable	QUALITYREL	13.5	25.9	17.1	28.9	14.6	100.0
Independent variable	MAINSTK	13.9	15.2	12.3	21.1	37.5	100.0
Independent variable	INPUTSM	2.2	5.9	7.7	32.6	51.6	100.0
Independent variable	NUMACT	9.9	12.9	12	29.5	35.7	100.0
Independent variable	AUDEXP	0.6	1.2	9.2	39	50	100.0
Independent variable	REVMETH	2.4	8.4	7.6	31.7	49.9	100.0
Independent variable	YEAREX	8.6	12	13.8	29.2	36.4	100.0

Table 5 provides descriptive statistics for the research variables. In relation to the dependent variable (the quality of relationships between internal auditors and auditees), 43.5% of the respondents agreed or strongly agreed that the internal auditors in their organization had established effective and constructive relationships with auditees.

Regarding the independent variables, most of the respondents believed that internal audit function and the internal auditors of those functions had identified their most important addressee and stakeholder (58.6% of the respondents). Since the board of directors and audit committee are considered as the two main addressees and stakeholders of internal audit function (Abbott et al., 2010; Roussy, 2015; Soh and Martinov-Bennie, 2011), the majority of internal auditors have identified their most important addressees and stakeholders so as to meet their expectations. On the other hand, because establishing an audit committee has been required by the Tehran Stock Exchange, and audit committee is part of the board of directors, it can be said that internal auditors report to the board of directors in most cases (Allegrini and D'Onza, 2003; Arena and Azzon, 2009).

The findings show that 84% of the respondents believed that it is necessary and vital to consider the expectations of senior management in internal audit process. This result, which is in line with the research results of D'Onza and Sarens (2017), shows that taking account of the expectations of senior management (both in the planning process and in the process of performing audit engagement) improves constructive working relationships.

On the other hand, 65% of the respondents stated that they performed all the activities in order to satisfy the stakeholders. These findings, which are in accordance with the field research of Ernst and Young (2011), show that the diversity of internal audit activities helps internal auditors become a "risk expert" so that they assist senior and operational managers in identifying fundamental risks and effectively managing them.

89% of respondents believed that internal auditors had the necessary expertise. This result, which is in line with D'Onza and Sarens (2017) study, indicates the expertise of internal auditors in the areas of professional standards, industry, information technology and cyber security, control environment, risk, corporate governance, business acumen, communication skills, and critical/analytical thinking.

Approximately 82% of the respondents had a positive attitude towards the use of information technology in the audit process and agreed or strongly agreed with the use of information technology in their organizations. This result means that the majority of internal auditors were familiar with IT risk management and control frameworks (such as COSO), had sufficient knowledge to use computer assisted audit techniques. Also, the quality of an audit increases in case of using computer assisted audit techniques, and internal auditors modify the procedures and practices of conducting audits according to the environment of an audit engagement.

Also, in respect of the experience of internal auditors, 65% of the respondents believed that experience plays an essential role in improving the quality of relationships with auditees. Because experience (in line with expertise of internal auditors) plays a vital role in improving the organizational position of auditors, therefore, the findings show that if experience is gained, the understanding of internal auditors increases when facing auditees, internal audit process is more effective, the recommendations are deemed more useful, the root cause of the problems are better identified, and the quality of audit process and its staff increases if the lifetime of internal audit function is long.

Table 6 provides the correlation matrix between dependent variable and independent variables in the regression model. The correlation matrix shows that there are some correlations between the research variables. Also, variance inflation factors (VIFs) were calculated for each of the independent variables so that collinearity between the independent variables, which may affect the analysis, is not an issue in the model. The average value of the variance inflation factor for the model is 1.8, which is much less than the rule of thumb of 10.

Table 6. Correlstion matrix

	QUALITYREL	MAINSTK	INPUTSM	NUMACT	AUDEXP	REVMETH	YEAREX
QUALITYREL	1						
MAINSTK	0.216**	1					
INPUTSM	0.286**	0.362**	1				
NUMACT	0.119	0.349**	0.415**	1			
AUDEXP	0.218**	0.357**	0.670**	0.510**	1		
REVMETH	0.341**	0.297**	0.611**	0.355**	0.666**	1	
YEAREX	0.227**	0.098	0.319**	0.117	0.310**	0.476**	1

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

Regression analysis

According to **Table 7**, R square in this research is 0.148. This value means that 14.8% of the changes of the dependent variable is explained by independent variables. Since the value of this index ranges between 0 and 1, the value of 0.148 shows that the independent variables have largely failed to explain the changes in the dependent variable. **Table 8** presents the results of the multiple regression analysis. We have reported the standardized beta coefficient, t and the significance level of each independent variable.

The research results confirm two of the six hypotheses. The variable MAINSTK is significant ($p < 0.05$) and is positively related to the ability of internal audit function to establish high quality relationships with auditees. The findings of the research confirm H1, which means that if a chief audit executive identifies the most important addressee and stakeholder in internal audit and categorize their expectations, this will affect the relationship of internal audit function with auditees. The findings also confirm H4, indicating that the use of IT in internal audit is significantly ($p < 0.05$) and positively related to the ability of internal audit function to establish high quality relationships with auditees. As a result, it seems that there is a greater possibility for internal audit function to establish quality and constructive relationships with auditees when they use the tools provided by information technology.

The results of regression analysis do not confirm other research hypotheses (H2, H3, H5, and H6).

Table 7. Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.384*	0.148	0.128	0.82884

Notes: *Predictors: YEAREXP, MAINSTK, NUMACT, INPUTSM, REVMETH, AUDEXP

*Dependent Variable: QUALITYREL

Table 8. Coefficients of variables

	Standardized Coefficients		Sig.
	Beta	t	
(Constant)		1.470	0.143
MAINSTK	0.130	2.025	0.044*
INPUTSM	0.135	1.627	0.105
NUMACT	-0.32	-0.463	0.644
REVMETH	0.259	2.975	0.003*
AUDEXP	-0.101	-1.100	0.272
YEAREX	0.083	1.250	0.212

Notes: *Significant at the 0.05 level (two-tailed)

DISCUSSION AND CONCLUSIONS

The main purpose of this research was to examine the factors affecting the quality of relationships between internal auditors and auditees in Iranian companies. To carry out this research, the responses received from 262 internal auditors, CPAs, and other practitioners were analyzed and the hypotheses were tested using multiple linear regression.

Based on the first hypothesis, the correct identification of the most important addressee and stakeholder has a positive impact on the relationship between internal auditors and auditees. It was previously stated that internal auditors should always know who the stakeholder is and what their expectations are so that their requests can be prioritized and their expectations are satisfied (Guner, 2008). The statistical results show that the significance level of variable MAINSTK is 0.044; as a result, the first hypothesis is confirmed. Thus, it is expected that if internal auditors identify their most important stakeholder in the organization, the level of quality of their relationship with auditees will increase. In other words, if internal auditors identify the most important addressee and stakeholder, they mutually identify the needs and expectations of stakeholders and other auditees, and this increases the understanding of internal auditors of the stakeholders. Therefore, the result of the first hypothesis test confirms the theoretical framework related to the impact of correctly identifying the most important addressee and stakeholder on the quality of relationship between internal auditors and auditees. D'Onza and Sarens (2017) examined this hypothesis and the results of their research did not confirm this hypothesis, and therefore, the result of the first hypothesis of this research is opposed to the results of their research.

According to the second hypothesis, considering the expectations of senior management in internal audit process has a positive impact on the relationship between internal auditors and auditees. According to the statistical results presented in **Table 8**, the significance level of the variable INPUTSM is 0.105; as a result, the second hypothesis is not confirmed. As a consequence, the result of the second hypothesis test does not confirm the theoretical framework related to the impact of considering the expectations of senior management on the quality of relationships between internal auditors and auditees. (D'Onza and Sarens, 2017; Sarens and DeBeelde, 2007) examined this hypothesis and the results of their research have confirmed this hypothesis, and therefore, the result of the second hypothesis of the current research is contrary to their research results.

Regarding the third hypothesis, the diversity of internal audit activities has a positive impact on the relationship between internal auditors and auditees. The statistical results presented in **Table 8** show that the significance level of the variable NUMACT is 0.644. As a result, this hypothesis is not confirmed. So, we can expect that the adjustment to the number of internal audit activities (such as management audit and others) does not affect the quality of relationship between internal auditors and auditees. Previously, it was explained that the more extensive internal audit activities, the more expertise internal auditors gain in identifying risks and related controls, which can help auditees improve their operational processes. However, unlike the theoretical framework, this hypothesis has not been confirmed. A possible explanation in this regard is that a diverse internal audit plan can lead to scant attention to the needs of main stakeholders as well as insufficient knowledge and resources to effectively manage internal audit activities. Consequently, various internal audit activities can produce the results that do not fulfill the expectations of auditees. (Turetken et al., 2019; D'Onza and Sarens, 2017) examined this hypothesis and the results of their research have confirmed this hypothesis, and therefore, the result of the third hypothesis of the current research is contrary to the results of their research.

According to the fourth hypothesis, the use of information technology in the internal audit process has a positive impact on the relationship between internal auditors and auditees. It was explained that information technology is an integral part of most companies (Kagerman et al., 2008). The statistical results presented in **Table 8** show that significance level of the variable REVMETH is 0.003, as a result, the fourth hypothesis is confirmed, and the use of information technology has a significant impact on the relationship between internal auditors and auditees. As a result, it can be expected that if internal auditors have an acceptable level of knowledge of IT and its applications in audit, the quality of relationships between internal auditors and auditees will increase. Therefore, the results of the regression analysis concerning this hypothesis show that adjusting audit procedures in order to adapt them to the conditions of an auditee in which an audit is performed helps internal audit function acquire and maintain customer-oriented attitude and increase the effectiveness of audit engagement and the value of internal auditors' recommendations. The ability to perform audit procedures using computers and other modern technologies suggests that internal audit function has the necessary skills and knowledge to use information technology and other required methods. (Salehi and Husini, 2011; D'Onza and Sarens, 2017) explored this hypothesis and the results of their research have confirmed this hypothesis, and therefore, the result of the fourth hypothesis of the current research is in line with the results of their research.

Based on the fifth hypothesis, the expertise of internal auditors has a positive impact on the relationship between internal auditors and auditees. Given the results presented in **Table 8** show that the significance level of variable AUDEXP is 0.272. Therefore, the result of the test of this hypothesis shows that the expertise of internal auditors cannot have a significant impact on the quality of relationships between internal auditors and auditees. According to the result of the fifth hypothesis test, it is not expected that if internal auditors have the desired expertise in various fields such as risk, controls, industry, audits, and other related matters, the quality of relationships between internal auditors and internal audit function will increase. (D'Onza and Sarens, 2017) tested this hypothesis and the results of their research did not confirm this hypothesis, and therefore, the result of the fifth hypothesis of the current research is in line with the results of their research. In addition, (Seol et al., 2011) investigated the expertise variable in their research and the results of their research have confirmed this hypothesis, and therefore, the result of the fifth hypothesis of the current research is contrary to the results of their research.

Considering the sixth hypothesis, the experience of internal auditors has a positive impact on the relationships between internal auditors and auditees. In order to perform effective internal audit, internal auditors need to have experience, education, training and professional competence in order to perform the necessary tasks in internal audit (Al-Twajjry et al., 2004). The statistical results show that the significance level of the variable YEAREX is 0.212. Hence, the experience of internal auditors does not have a significant influence on the relationships between internal auditors and auditees. As a result, it cannot be expected that more experienced internal auditors can establish better relationships with auditees. (D'Onza et al., 2015) examined this variable and the results of their research did not confirm this hypothesis, and therefore, the result of the sixth hypothesis of the current research is in line with the results of their research. Also, Shamki and Alhajri (2017) examined this variable in their research and the results of their research have confirmed this hypothesis, and therefore, the result of the sixth hypothesis of the current research is contrary to the results of their research.

Practical recommendations

It is suggested that internal auditors identify their main stakeholders in the organization and have a comprehensive review of their expectations. Since the expectations of stakeholders are changeable, it is recommended that internal auditors prioritize the needs and expectations of the main stakeholders, and finally determine key performance indicators to better meet the expectations so that the decision-making process about the strategy and annual audit plan can be improved. This practice makes internal audit function concentrate on the important issues related to main stakeholders, and wasting function's resources to satisfy all stakeholders is avoided. It is also suggested that after identifying main stakeholders, regular and periodical meetings of internal auditors are held with them to facilitate the exchange of opinions, suggestions and ideas. Additionally, some expectations are aroused by stakeholders, two of which include identifying potential risks and providing advisory services along with assurance services. In order to minimize risks, internal auditors should familiarize themselves with the methods and principles of assessing risks that may endanger the achievement of organization's goals. These methods can include brainstorming sessions, risk root cause analysis (such as Pareto chart, risk matrix, five whys, fishbone/ Ishikawa chart), interviews with employees and staff, Delphi method, and so on. In the next step, identified risks should be measured. If internal auditors can comprehensively analyze risks, and try their best to provide consulting services along with assurance services, not only the satisfaction of stakeholders will be significantly increased, but also the acceptability of internal auditors in their organization will increase. In addition, internal auditors should review the way they speak and behave during every audit engagement. The following suggestions can be favorable for improving the relationships with stakeholders:

1) A defensive manner should be avoided as much as possible. Instead, peace, calmness, and selfconfidence should be maintained when exchanging opinions, presenting the results of audit engagement, and providing consulting services, even if senior management does not treat it this way. Otherwise, arguments could quickly arise.

2) When recommendations are communicated to the stakeholders, it is better to ask their opinion about that recommendation first. Next, the recommendations should not be stated directly, because auditees may have the preconceived notion that internal auditors do not have adequate knowledge about their operation process (even if this idea is wrong, but it can be beneficial to take this into consideration).

3) First of all, the strengths and positive points should be stated, and then suggestions and consulting services for weaknesses and bottlenecks could be provided.

4) Continuous and constant communications should be maintained to know the risks of auditees.

It is recommended that internal auditors acquire extensive IT skills in auditing or improve their current knowledge in this field. Because one of the basic expectations of senior managers from internal auditors is to pay meticulous attention to the risks and controls related to information technology. Information technology is a very broad subject of which computer assisted audit tools are only a part of this field. Internal auditors are not expected to have the same knowledge as an IT specialist, but it is essential to be aware of the latest risks and controls related to this issue. Risks such as denial-of-service attacks (DoS attacks) and IP spoofing can disrupt an organization's network and question the performance of internal auditors in relation to IT assurance. In order to increase and improve the knowledge of internal auditors concerning information technology, it is suggested to invest in this field; these investments could be organizing specialized classes under the supervision of IT specialists, publishing related books and brochures in internal audit function, and giving specialized tests periodically (and not just at the end of a training course). Another issue that is somewhat related and should be discussed is adjusting internal audit procedures according to each audit engagement conditions. If auditors have the ability to be flexible and use audit procedures that are suitable for each audit engagement, the effectiveness of an audit will also increase. Some of the technologies that internal auditors may use and deal with in the very near future (and may already be used in some function) include artificial intelligence (AI), robotic process automation, blockchain, DevOps, data mining, the Metaverse as well as other technologies that internal auditors should at least be familiar with them and their risks.

Suggested future research

In this research, the factors affecting the quality of relationships between internal auditors and auditees were examined. According to the results, the following suggestions are provided for future research:

1) Other factors affecting the relationship between internal auditors and auditees, such as professional qualifications of internal auditors, the moral courage of internal auditors, or the personality traits of internal auditors, should be examined.

2) It is recommended to check the quality of relationships between other relevant professional figures. For example, the quality of relationship between accountants and external auditors can be checked.

3) It is suggested to investigate the impact of the quality of relationship between internal auditors and auditees on the reporting quality of internal auditors and their assurance and consulting services.

4) It is suggested to use other data collection tools (such as interviews with internal auditors and auditees and review of the reports issued by internal audit function) in order to check the quality of relationships between internal auditors and auditees.

Study limitations

1) In order to collect data, a questionnaire has been used, and in this method, there is a possibility of occurring errors due to the wide questioning, which reduces the credibility and trust of this method. Also, in this method, measurements are based on personal judgment, which can cause errors, and respondents have a desire to be considered a socially acceptable person.

2) Since the quality of relationship between internal auditors and auditees has been examined by previous researchers in a very limited and small number, therefore, one of the limitations of this research was the limited number of articles and studies conducted in this field.

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ANNEX

Research questionnaire and its items

Items	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Auditees behave honestly and transparently towards internal auditors.					
Auditees cooperate actively with internal auditors.					
Auditees behave helpfully and constructively when dealing with internal auditors.					
Auditees consider and welcome the findings and recommendations by internal audit function.					
Auditees consider internal auditors as their partners and colleagues.					
Internal audit function reports to audit committee.					
Internal audit function reports to CFO.					
Internal audit function reports to the board of directors.					
Audit committee determines the annual budget of internal audit function.					
CFO determines the annual budget of internal audit function.					
Board of directors determines the annual budget of internal audit function.					
Internal audit function is aware of its most important addressee and stakeholder.					
Internal auditors should identify the emerging risks and make suggestions about them.					
Internal auditors should make suggestions that address the root causes of problems.					
Internal audit plan should assess the issues which are important to the organization and auditee.					
Internal audit plan should be adequately communicated to senior management.					
Senior management should be involved in internal audit planning process.					
Internal audit plan must be in line with the organization's strategic plan.					
Internal auditors must keep their knowledge up-to-date with the changes in business and industry.					
Regular meetings and communications with senior managements are important.					
Notifications and communications with the management of auditees should be in-person as much as possible.					
Internal audit function performs financial audit.					
Internal audit function performs operational audit.					
Internal audit function performs compliance audit.					
Internal audit function performs fraud audit.					
Internal audit function performs management audit.					
Internal audit function performs audits of the operations outsourced by the company.					
Internal audit function must be familiar with the IPPF of Institute of Internal Auditors.					
Internal auditors must have full knowledge of the industry of the company in which they are engaged.					
Internal auditors must have the basic knowledge related to IT and cyber security.					
Internal audit function must be fully familiar with the control environment, existing risks and corporate governance.					
Internal auditors must have business acumen.					
Internal auditors must be familiar with communication skills and use them.					
Internal auditors must have critical/analytical thinking in internal audit process.					
Internal auditors usually modify their auditing procedures according to the conditions.					
Using computer assisted audit techniques (CAATs) increases the quality of auditing.					
Internal auditors should be familiar with risk management framework and IT control (such as COSO).					
Internal auditors must have sufficient knowledge to use computer assisted audit techniques (CAATs).					
The use of computer assisted audit techniques (CAATs) makes audits faster.					
Gaining experience makes internal auditors have deeper understanding when dealing with people, collecting data, information and reviewing them.					
The more favorable the level of education and training of internal auditors, the more effective the internal audit process is.					
Gaining experience allows internal auditors to provide more useful recommendations.					
Gaining experience allows internal auditors to better identify the root causes of the problems of auditees.					
If an internal audit function has a long lifespan, the quality of the function and its employees will increase.					