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INVESTIGATE THE SUPPORTIVE ROLE OF MANAGEMENT AND THE INDEPENDENCE OF THE INTERNAL AUDITOR IN THE EFFECTIVENESS OF INTERNAL AUDIT

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ABSTRACT

In today's world, increasing the quantity and quality of independent auditing is generally possible by relying more on internal controls. Auditors' assessment of the internal controls of business units is how effective audit programs are set up. Accordingly, in this study, two intra-organizational factors including management support for internal audit and internal audit independence were examined and thus the effect of the above two factors (as an independent variable) on the effectiveness of internal audit (dependent variable) Was tested. The statistical sample is estimated at 200 managers and auditors according to Krejcie and Morgan table. According to the statistical population, the whole population has been selected as a sample and 170 usable questionnaires were obtained from which we examined the results of the study. The results of the present study show that the variables of internal audit independence, management support for internal audit have a significant relationship with the effectiveness of internal audit.

INTRODUCTION

Economic units to achieve short-term and long-term goals and fulfill missions and visions, maintain financial strength and profitability, deal with unexpected events and be accountable to the respondents (owners of capital, government, etc.) must Have an effective internal control system. Internal control is not a specific event or situation, but a set of sequential and pervasive actions that permeate all activities of the organization. These measures take place continuously within the operational scope of the organization. They exist in an all-encompassing and inseparable way in the direction that the management of 33 organizations manages and advances. (Poetry, 2007)

Intra-organizational factors include disruption of information systems in information processing, the quality of staff recruitment and training and incentive methods, changes in managerial responsibilities, the

nature of economic activities and how employees have access to assets, and the weakness of the board and audit committee. There are many techniques for identifying risks, including the quantitative and qualitative methods commonly used by independent and independent auditors, but the method of identifying risks is not important. The important thing is that the management carefully considers the existing factors or risk process. To be.

Internal controls have long been a concern, especially since the 2002 scandals and the passage of the Sarbins-Oxley Act. Section 404 of this law deals with internal controls and management tasks in establishing and maintaining an effective internal control system. Section 404 requires corporate management to provide and maintain a report on internal control with an annual report. (Javaheri, 1385). The Securities and Exchange Commission (SEC) Regulations, in Section 404, require management to disclose significant changes to the financial controls over financial reporting that occurred during the last quarter of the year, in accordance with Section 302 of the Act. Management must disclose all weaknesses in internal control in its quarterly and annual report (Sarbins-Oxley Act[1]). The specific purpose of Sections 302 and 404 of the Sarbins-Oxley Act is to inform investors about exposing weaknesses in the internal control system that may increase financial errors and reduce managers' ability to manage profits (Lambert et al., 1987).

On the other hand, in all countries, internal audits are performed in different economic environments and institutions that differ in terms of purpose, size and organizational structure. In addition, since the laws of different countries and the customs of different societies are different from each other, therefore, these differences can affect the performance of internal audit in each of the environments. At the same time, the internal auditor fulfills the assigned responsibilities. However, in any case, it is necessary to fulfill the responsibilities of the internal auditors, observing the concepts stated in these standards.

Internal audit is an independent evaluation activity performed in a business unit to review and evaluate its activities. The purpose of internal audit is to help business unit managers to better perform their responsibilities. To achieve this goal, internal audit results of analysis and evaluations, information discovered from the activities and operations reviewed and submits their recommendations to the managers of the business unit. The managers of the business unit who benefit from internal audit services are the board of directors and the executive managers of the business unit. Providing information on the adequacy and efficiency of the internal control system and the quality of the business unit to management is one of the responsibilities of internal auditors. The information provided to each area of management and managers may vary in form and detail according to their needs and wants.

The Auditing Standards Board defines internal auditing in its audit guidelines as follows:

"Internal audit is an independent evaluation task created by the organization's management to review the internal control system. "Internal audit tests, evaluates and reports on the adequacy of the internal control

[1] Sarbins-Oxley Act

system in terms of the appropriateness, cost-effectiveness, efficiency, effectiveness and efficiency of the organization's resources."[2]

What is important is that the auditor should have complete information about the internal controls and their weaknesses in general so that as soon as they are observed and dealt with, they will notice the weaknesses in the internal controls and report them to the entity. To report. Some weaknesses of internal controls are present in most of the units under investigation and some weaknesses are specific to specific units and therefore are not very common and they can only be discovered by carefully examining the internal control systems. (Nematpajooh[3], 2003).

The evaluation of internal controls in independent auditing is based on objectives such as identifying the auditability of financial statements, developing an audit plan, estimating the risk of control, and determining the risk of non-planned disclosure. Knowledge of internal controls in independent auditing is essential. This knowledge is used to identify potential types of distortions, investigate the factors affecting the risk of significant distortions and design content tests (Auditing Standards Development Committee[4], 2010).

On the other hand, the purpose of auditing financial statements is to reduce the audit risk to a level acceptable to the financial statements. Due to the interrelationships between the components of audit risk (of which the risk of close control is one of the main components), the evaluation of internal controls is mandatory. If effective internal controls are not in place, the implementation of an independent audit will be costly and more difficult and will have consequences for the independent auditor's report. (Maham[5], 1381).

However, "in general, accounting and internal control systems are not well recognized, recorded and evaluated by auditing firms. Therefore, content tests (number of samples and review methods) are not based on systems evaluation and in case of system registration, evaluation of internal controls has not been used in designing content tests "(Results of evaluation of quality control working group of auditing firms[6], 2009) . In other words, there is evidence that auditors' efforts to meet the objectives of these standards and their requirements are insufficient.

According to the contents of this study, the supportive role of management and the independence of the internal auditor in the effectiveness of internal audit was examined.

RESEARCH METHODS

The present research is descriptive survey in nature and is one of the applied researches in terms of purpose. Also, in terms of data collection from questionnaire tools and parametric tests, including to test the hypotheses of this research, regression has been used and in terms of the relationship between variables is of scientific type.

[2] Ali Kamali Zare and Abbas Arbab Soleimani (Effective Internal Audit) Journal No. 136 of the Auditing Organization, First Edition, April 2000, p.5
[3] Nematpajooh
[4] Auditing Standards Development Committee
[5] Maham
[6] Results of evaluation of quality control working group of auditing firms

The study population included all company managers, financial managers, independent auditors and internal auditors in Tehran province.

The statistical sample according to Krejcie and Morgan table is estimated to be 200 managers and auditors, out of 200 questionnaires distributed, 170 questionnaires were accepted by the researcher. Due to the small statistical population, the whole population was selected as a sample and a questionnaire was distributed among them by census sampling method.

In this research, a questionnaire method[7] was used and the questionnaire of this research is taken from the article of (Abdul Aziz and David[8], 2014).

In order to calculate the reliability coefficient of the questionnaire as a tool for measuring information, various methods are used, which in this study, the Cronbach's alpha method has been used.

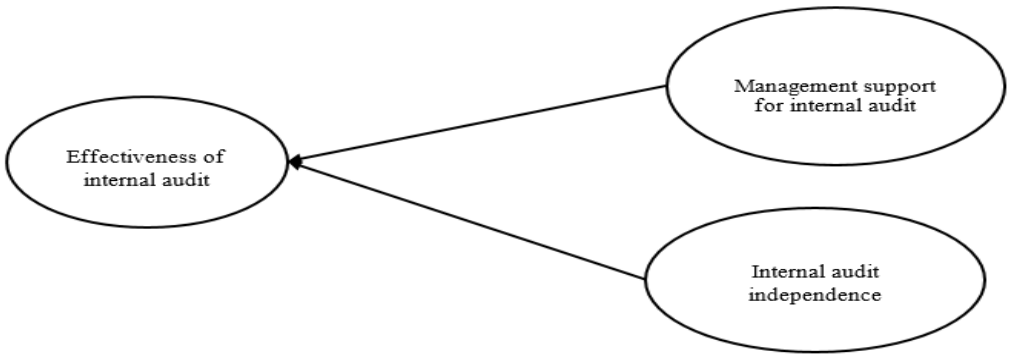
Data analysis method:

After completing the questionnaire and coding them, the codes were transferred to the computer and the information was analyzed using SPSS software, which is for social science research. Due to the fact that the Likert scale was used to measure the attitude of individuals, Cronbach's alpha coefficient was used to evaluate its reliability and validity.

Data analysis has been done in two sections: descriptive statistics and inferential statistics. In the descriptive statistics section, the researcher first described the statistical community using descriptive statistics indicators and with the help of related graphs and statistical tables and status indicators, described the data. In the inferential statistics section, after determining the distribution of

variables in the community and after describing the data, the researcher has used correlation coefficients to test hypothesesWhich is specified in figure 1 with inferential statistics models and according to the distribution of research variables in the community.

Figure 1: Research model and according to the distribution of research variables in the community:



(Alzban and William[9] Research, 2014)

Statistical model of research:

where in:

[7] Questionnairemethod
[8] Abdul Aziz and David
[9] Alzban and william

IAE: Effectiveness of Internal Audit
MSUP: Management support for internal audit
IND: Independence of internal audit
Results and Findings:
Demographic features

As shown in Table 1, male subjects accounted for 84% and female subjects for 16% of the sample. Also, out of 170 people participating in this study, 44 people (26%) have zero to 5 years of work experience, 52 people (31%) have 5 to 10 years of work experience, 26 people (15%) have Work experience of 10 to 15 years, 37 people (22%) have work experience of 15 to 20 years, 18 people (11%) have work experience of more than 20 years.

Table 1: Frequency and percentage of gender of the research sample:

Educational degree	**Number**	**Percentage**
expert	64	37
Masters	80	47
P.H. D	26	16
skill	-	-
total	170	100
Job range	**Number**	**Percentage**
Head of Audit	5	3
Audit Manager	16	9
Senior Supervisor	22	13
Supervisor	13	8
Senior Auditor	28	16
Audit	51	30
Assistant Auditor	35	21
TOTAL	170	100

Descriptive findings:

Table 2 shows the findings related to the research variables as mean, standard deviation, minimum and maximum score and are explained below.

Table 2. Descriptive findings:

Statistical indicators Variables	Average	Standard deviation	At least/min	Maximum	Number
Effectiveness of internal audit	0/529	3/7482	1/20	4/73	170
Competence of the internal audit department	0/368	2/457	1/40	3/60	170
Interaction of internal and external auditors	0/511	3/603	1/33	4/56	170
Management support for internal auditors	0/649	3/671	0/83	4/83	170
Internal audit independence	0/567	3/749	1/00	4/80	170

Data normality test

Kolmogorov-Smirnov test was used to test the normality of the variables. This test is a simple nonparametric method for determining the homogeneity of experimental information with selected statistical distributions and is indicated by the abbreviation KS. (Adel Azar 1379). To get the interpretation we have to look at the Z value of the Calm off-Smirnov test. If its value was less than +1.96 and greater than -1.96, we conclude with 95% confidence that there is no difference between the observed and expected frequencies. In other words, the distribution of society is normal. But if its value was less than -1.96 or greater than +1.96, we conclude with 95% confidence that there is a difference between the observed and expected frequencies. In Table 3. Test of normality of research variables other words, the distribution is not normal.

Table 3. Test of normality of research variables:

Variable	Kolmogorov-Smirnov Statistics	Significance level	Absolute critical value of elongation	Absolute value of skewness
Effectiveness of internal audit	2/193	0/000	0/087	-0/168
Competence of the internal audit department	1/873	0/002	0/144	-0/130
Interaction of internal and external auditors	2/373	0/000	0/118	-0/182
Management support for internal auditors	2/492	0/000	0/105	-0/191
Internal audit independence	2/326	0/000	0/127	-0/178

According to the results in Table 3 and the values obtained for the Kolmogorov-Smirnov z statistic, not all variables are 95% normal. However, considering that the critical absolute value of elongation and skewness is less than 2.58, it can be said that the data have a normal distribution.

Testing hypotheses:

Hypothesis 1: There is a significant relationship between management support for internal audit and the effectiveness of internal audit.

H0: There is no significant relationship between management support for internal audit and the effectiveness of internal audit.

H1: There is a significant relationship between management support for internal audit and the effectiveness of internal audit.

To test this hypothesis, a management correlation test was performed between management support for internal audit and the effectiveness of internal audit, Pearson correlation test, with an error probability of 0.05. In this test, the value of sig was equal to 0.000. **Table 4.** The results of the third hypothesis test Since the obtained sig value is less than 0.05, the $H0$ hypothesis that there is no significant relationship between the two variables is rejected and the $H1$ hypothesis that there is a

significant relationship between management support for internal auditing and internal audit effectiveness is confirmed. Becomes.

$$H0: r = 0$$
$$H1: r \neq 0$$

Table 4. The results of the third hypothesis test:

Variable	Coefficient	Statistic t	Significance level	Correlation Coefficient
Intercept	4/324	15/888	0.000	
Competence of the internal audit department	-0/234	-2/141	./034	*0/163
Determination coefficient	0/163	Statistic F	4/582	Significance level of correlation coefficient
Modified determination coefficient	0.027	Statistic (P-VALUE) F	0.034	
Durbin-Watson statistic	2.01	Times of observation	170	0.034
Statistical result	Hypothesis 1 (H1) is accepted.			

Establish regression model preconditions:

Watson's camera statistic is 1.346, so we can conclude that the data are not self-correlated.

The adjusted coefficient of determination of the Baber model is 0.465, which means that about 47% of the variables dependent on the independent variables can be described.

By confirming all of the above preconditions, we can be confident in the results of the final fitted model.

Hypothesis 2: There is a significant relationship between internal audit independence and internal audit effectiveness.

H0: There is no significant relationship between internal audit independence and internal audit effectiveness.

H1: There is a significant relationship between internal audit independence and internal audit effectiveness.

To test this hypothesis, between the obtained internal audit independence and the effectiveness of internal audit, **Table 5.** Results of the second hypothesis test Pearson correlation test was performed with a probability of error of 0.05. In this test, the value of sig was equal to 0.000. Since the obtained sig value is less than 0.05, the hypothesis H0 that there is no significant relationship between the two variables is rejected and the hypothesis H1 that there is a significant relationship between internal audit independence and internal audit effectiveness is confirmed. .

Table 5. Results of the second hypothesis test:

Variable	Coefficient	Statistic t	Significance level	Correlation Coefficient
Intercept	1/796	15/178	0.000	
Interaction of internal and external	0/750	14/692	0.000	0/750

auditors				
Determination coefficient	0.750	Statistic F	215/846	Significance level of correlation coefficient
Modified determination coefficient	0.562	Statistic (P-VALUE) F	0.000	
Durbin-Watson statistic	2/320	Times of observation	170	0.000
Statistical result	Hypothesis 1 (H1) is accepted.			

Establish regression model preconditions:

Watson's camera statistic is 2,190, so we can conclude that the data are not self-correlated.

The adjusted coefficient of determination of the Baber model is 0.457, which means that about 46% of the changes in the dependent variable can be described as independent variables.

By confirming all of the above preconditions, we can be confident in the results of the final fitted model.

Correlation test

Table 6 shows the correlations between all variables. There is a correlation of 61% between the interaction of internal and external auditors and the effectiveness of internal audit and considering the level of significance which is less than 5%, it can be stated that the correlation between internal audit independence and the effectiveness of internal audit is 59%. Which is less than 5%, it can be said that there is a significant correlation between the independence of internal audit and the effectiveness of internal audit. There is a 16% correlation between the independence of internal audit and the effectiveness of internal audit and considering the level of significance which is less than 5%, it can be said that there is a significant correlation between the independence of internal audit and the effectiveness of internal audit.

Table 6. Correlation coefficient between all variables:

Independence	Protection	Effectiveness	Variable names
		1	Effectiveness
	1	*0/617 0/000	Protection
1	-0/164 0/032	-0/163 0/034	Independence

The results of testing the hypotheses show that there was a significant relationship between Table 7- Results of hypothesis testing the variables of internal auditor independence and management support for the internal auditor and the effectiveness of the internal auditor at an error level of 5%.

Table 7- Results of hypothesis testing:

Variable	Coefficient	Statistic t	Significance level
Width of origin	0/339	3/109	*0/002
Interaction	0/271	3/279	*0/001
Competence	-0/013	-0/225	0/822
The coefficient of determination	0/694	Statistic F	38/391
Adjusted coefficient of determination	0/469	Statistic (P-VALUE) F	0/000
Camera Statistics - Watson	1/672	Times of observation	170
Statistical result	Hypothesis 1 (H1) is accepted.		

Establish regression model preconditions:

Watson's camera statistic is 1.672, so we can conclude that the data are not self-correlated.

The adjusted coefficient of determination of the Baber model is 0.694, which means that about 47% of the changes in the dependent variable can be described as independent variables.

By confirming all of the above preconditions, we can be confident in the results of the final fitted model.

DISCUSSION:

In this study, the supportive role of management and the independence of the internal auditor in the effectiveness of internal audit was investigated. And the obtained results confirmed the research hypotheses.

Hypothesis 1: There is a significant relationship between management support for internal audit and the effectiveness of internal audit. Management support for internal audit will lead to an acceptable environment for the profession as well as staff interaction with internal auditors. Managers' support for internal auditors will also lead to a strong incentive for internal audit staff to perform better, and employees will be required to work with the internal audit department.

Hypothesis 2: There is a significant relationship between the independence of internal audit and the effectiveness of internal audit. Audit independence will also be audited in the internal audit and independent audits of the factors affecting the quality of work output. Audit independence will lead auditors to adhere to professional principles and ethics in reviewing and performing audit procedures, and as a result will increase the effectiveness of internal audit work.

Conclusion:

The research findings are consistent with many previous studies; Abdul Aziz and David (2014) conducted a study entitled Factors of Effectiveness on Internal Auditors. Data were obtained from 203 internal managers and auditors, 239 out of 79 public sector organizations in Saudi Arabia.

The results show that management support for IAE drives the effectiveness of internal auditing. Understanding both management and the view of internal auditors. Is.

Identified the factors affecting the effectiveness of internal audit in the government agencies of the Kurdistan Regional Government - Iraq. In line with this goal, key questions: What factors affect the effectiveness of internal audit in government agencies? And what is each of the influencing factors? will be considered. For this purpose, following the approach that believes that internal audit is considered as a subjective management evaluation and using a systematic and valid measurement model and criteria, the effectiveness of internal audit is evaluated. In this regard, the realization and achievement of an effective internal audit largely depends on the factors: professional skills of employees, quality of audit work, organizational independence, job opportunities and development and management support. In this study, in order to identify these factors and the impact of each of them on the effectiveness of internal audit, a number of employees of the internal audit unit of Kurdistan-Iraq government agencies and managers were selected and distributed two questionnaires (the first related to auditors and the second For managers) the necessary information was collected. All data were analyzed using Spss software and descriptive statistics and inferential statistics. Findings show that the effectiveness of internal audit is strongly influenced by management support and at the statistical level of 99% its correlation coefficient is equal to 88%. Then, the factors of professional skills and quality of audit work affect the effectiveness of the audit second and third, respectively, and their correlation coefficient is equal to 58 and 55%.

While the other two factors of organizational independence and job opportunities have a negative correlation with 35% and 76% negative coefficients with the effectiveness of internal audit.

According to the obtained results, it is suggested that in future studies, the relationship between the period of independent audit tenure and the effectiveness of internal audit be investigated. It is also suggested that the factors affecting the effectiveness of independent auditing and its remuneration be examined.

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