

Providing a model for assessing the quality of internal audit in Iraq

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Abstract : Internal auditing plays a crucial and vital role in the management and governance of organizational operations. Organizations with efficient and effective internal audit units have better assessments of identifying business process risks and their commercial systems. This article attempts to design a suitable model for the Iraqi context by employing the Delphi research method and surveying 246 professional and academic experts to identify the criteria for assessing the quality of internal auditing. To this end, based on a review of literature, 27 criteria were identified, classified into four sections: A. Learning and growth; B. Stakeholder satisfaction; C. Financial results and D. Internal audit process. The data were analyzed using a confirmatory factor analysis model and Excel software. The research results indicate the acceptance of 27 criteria out of the mentioned criteria, providing a model for the quality of internal auditing.

Keywords: internal audit, internal audit quality, independence, competence and execution of internal audit operations.

Introduction: Internal auditing is considered one of the pillars of proper corporate governance in banks, companies, and organizations, and the importance of internal auditing in various organizations worldwide is undeniable. The Principles of Corporate Governance Development, published by the Basel Committee, state that banks must have an internal audit unit. The Basel Committee issued supervisory guidance on internal auditing in banks and the relationship between supervisors and auditors in 2001 to strengthen opinions and encourage proper activities in banks, which was replaced in 2012 by a document titled "Internal Auditing in Banks". It seems that in the new version, more attention has been paid to bank structures, supervisory activities, and experiences related to recent financial crises in the years 2007 and 2008. The aforementioned Principles of Corporate Governance Development state that banks must have an internal audit unit and consider a strong internal control system to include an effective and independent internal audit unit (Nikbakht et al., 2018).

1-2 problem statement

Internal auditing in its modern form emerged in the early 1940s, coinciding with the establishment of the Institute of Internal Auditors in America. In Iraq, it is not possible to pinpoint an exact date for the establishment of internal audit units in subsidiary entities and government departments (Zolghai, 2009). The Institute of Internal Auditors defines internal auditing as follows: "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. This definition specifies that the ultimate goal of internal auditing is to create added value in the organization through assurance and consulting services. The focal point of internal auditors in this regard is evaluating and improving the effectiveness of risk management, control, and governance processes within the organization (Reding et al., 2012). In this context, some researchers such as Abbott and Carslaw have emphasized the crucial point that having just one internal audit unit in a company is not sufficient to achieve desirable results; rather, it is the quality of the internal audit unit that plays a vital role (Juhle et al., 2013). Consequently, a broad topic within internal auditing has emerged under the title of "quality of internal auditing", and various studies have been conducted regarding the criteria for assessing the quality of internal auditing. Many researchers have emphasized the criteria highlighted in the standards of independent auditing for measuring the quality of internal auditing. Independent auditing standards have identified three criteria for the reliance of independent auditors on the work of internal auditors. According to these standards, independent auditors should exercise their professional judgment in assessing the quality of the internal audit unit, including evaluating competence and expertise, objectivity, and the nature and scope of work performed by internal auditing related to financial reporting and audit of financial statements (Nikbakht et al., 2017). Furthermore, many researchers such as Mousavi et al. (2011), Provost et al. (2011), Abbott et al. (2012), and Bima Alderd et al. (2012) have, in line with DeAngelo's theory, introduced the quality of internal auditing as a

function of two factors: competence and independence of the internal auditor. They have stated that these two factors are important and distinct and have a mutual relationship. Therefore, to assess the quality of internal auditing, both competence and independence are necessary. It is not sufficient to focus solely on one of these two factors. Just as from a competent and skilled auditor, one expects the discovery of as many errors as possible in financial reports, the way these discovered errors are reported to the competent authorities depends on the auditor's independence (Abbott et al., 2016).

Hence, given the requirement of the Securities and Exchange Organization for the establishment of an internal audit unit and the consequent imposition of significant expenses on Iraqi companies for implementing internal auditing, including the costs of hiring internal auditors or outsourcing them, it is expected that internal auditing operations be carried out with the highest possible quality so that this activity brings the greatest value added to the stakeholders. Therefore, it is necessary to conduct research to identify criteria for assessing the quality of internal auditing specifically tailored to the Iraqi environment. Because the criteria for assessing the quality of internal auditing often proposed are primarily for environments outside of Iraq, this research attempts to present those criteria suitable for the Iraqi environment in the form of a model of internal auditing quality. The theoretical foundations related to the criteria for assessing the quality of internal auditing in four sections: "Criteria for assessing competence", "Criteria for assessing independence and objectivity", "Criteria related to the implementation of internal auditing operations", and "Other criteria" are discussed in the following.

Therefore, the main research question is formulated as follows:

1. What are the criteria for assessing the quality of internal auditing?
2. How are the criteria for assessing the quality of internal auditing prioritized and ranked?

1.2.Importance of research

The importance of research on "Providing a model for assessing the quality of internal audit in Iraq" cannot be overstated. Here are some key points highlighting its significance:

- 1 **.Enhancing Organizational Governance:** Internal audit plays a crucial role in ensuring effective governance within organizations. By providing a model for assessing the quality of internal audits in Iraq, this research can contribute to strengthening governance mechanisms and fostering transparency, accountability, and integrity in both public and private sector entities.
- 2 **.Improving Financial Management:** A robust internal audit function is essential for identifying and mitigating financial risks, detecting fraud, and ensuring compliance with relevant regulations and standards. By developing a model to assess the quality of internal audit, this research can help organizations in Iraq enhance their financial management practices, leading to more efficient use of resources and better financial performance.
- 3 **.Enhancing Decision-Making:** Reliable internal audit processes provide management and stakeholders with accurate and timely information to support decision-making. By establishing a model for assessing internal audit quality, this research can empower decision-makers in Iraq with confidence in the reliability and effectiveness of internal audit findings and recommendations.
- 4 **.Supporting Economic Development:** Strong internal audit practices contribute to the overall stability and growth of the economy by promoting investor confidence, attracting foreign investment, and facilitating sustainable development. By promoting the adoption of high-quality internal audit standards and practices through the proposed model, this research can contribute to the long-term economic development of Iraq.
- 5 **.Addressing Challenges and Risks:** Iraq, like many other countries, faces various challenges and risks, including corruption, inefficiency, and lack of transparency. A tailored model for assessing internal audit quality can help address these challenges by providing organizations with a structured approach to evaluating and improving their internal audit function, thereby reducing vulnerabilities and enhancing resilience to risks.

In conclusion, research on providing a model for assessing the quality of internal audit in Iraq holds immense importance for promoting good governance, improving financial management practices, supporting informed decision-making, fostering economic development, and addressing challenges and risks. It has the potential to positively impact organizations, stakeholders, and the overall socio-economic landscape of Iraq.

.1.3.Research innovation

This involves several key elements that distinguish it as a novel and impactful contribution to the field:

1. **Contextual Adaptation:** This research innovates by tailoring the model specifically to the Iraqi context. Recognizing the unique socio-economic, cultural, and institutional factors that shape internal audit practices in Iraq, the model is designed to be contextually relevant and sensitive to the country's needs and challenges.
2. **Integration of Stakeholder Perspectives:** An innovative aspect of this research is the integration of diverse stakeholder perspectives, including internal auditors, executives, regulators, and other relevant parties. By incorporating input from a wide range of stakeholders, the model ensures that it reflects the needs, priorities, and

expectations of all relevant parties involved in internal audit processes in Iraq.

3. **Methodological Rigor:** This research adopts innovative methodological approaches to develop and validate the model for assessing internal audit quality. Drawing on established research methodologies such as Delphi technique, factor analysis, and expert consensus-building, the research ensures the robustness, reliability, and validity of the proposed model.

4. **Benchmarking and Comparative Analysis:** Another innovative aspect of this research is its emphasis on benchmarking and comparative analysis. By benchmarking internal audit practices in Iraq against international standards, best practices, and experiences from other countries, the research identifies areas of strength and opportunities for improvement, thereby facilitating continuous learning and enhancement of internal audit quality.

5. **Practical Utility and Actionable Insights:** The model developed through this research is not only theoretically robust but also practical and actionable. It provides organizations in Iraq with a structured framework for assessing, benchmarking, and improving their internal audit quality, offering clear guidance and actionable insights for enhancing governance, risk management, and control processes.

6. **Capacity Building and Knowledge Transfer:** Finally, this research promotes innovation through its emphasis on capacity building and knowledge transfer. By disseminating the model, research findings, and best practices through training programs, workshops, and academic publications, the research contributes to building internal audit capacity in Iraq and fostering a culture of continuous improvement and innovation in the field.

In summary, research innovation for "Providing a model for assessing the quality of internal audit in Iraq" lies in its contextual adaptation, stakeholder integration, methodological rigor, benchmarking, practical utility, and capacity building. By addressing these aspects, the research makes a significant and innovative contribution to enhancing internal audit quality and governance effectiveness in Iraq.

2.1. Criteria for assessing competence

One of the criteria for assessing the quality of internal auditing is the competence of the internal auditor. Internal auditing requires competent individuals who have capabilities beyond traditional skills. The Institute of Internal Auditors (IIA) defines competence as the ability of an individual to perform duties or tasks properly within a framework of a set of knowledge, skills, and behaviors defined by the IIA (IIA, 2013). Abbott et al. (2016) also stated that competence refers to the ability of an auditor to perform tasks diligently and in accordance with professional standards. The following introduces the criteria for assessing competence.

1. Experience Criterion: Previous research on the background and experience of internal auditors indicates that high experience levels contribute to providing evidence that improves auditors' performance (Tamassia, 1990). Some believe that inexperienced or minimally experienced internal audit staff are likely to make suboptimal decisions in oversight areas because they may lack the technical knowledge required or may not possess problem-solving skills (DeZoort, 1998). Svedlund and Gustafsson (2010) demonstrated that independent auditors utilize experienced internal auditors to prevent rework of their own audit scope, which incurs costs.

2. Education, Certification, and Training Criteria: In addition to experience, Pezzini et al. (2015) have utilized education, certifications, and training as criteria for assessing competence. Experience is measured based on the number of years that internal audit unit staff have had experience in internal and independent auditing. Education is measured based on the average years of bachelor's and postgraduate studies of staff. Certifications are assessed based on the percentage of staff holding one or more auditing certifications, while training is evaluated based on the average training hours of each staff member during the assessment year.

3. Industry Familiarity Criterion: Auditing firms familiar with the relevant industry can perform higher-quality audits due to their enhanced ability to identify and address industry-specific issues. Furthermore, as auditing firms gain more experience in a particular industry, they develop a positive reputation, leading to increased interest in providing high-quality auditing services (DeAngelo et al., 1989).

4. Criterion of Familiarity with Information Technology Skills: In today's business world, technology is recognized as a key enabler and crucial facilitator that allows companies to achieve greater efficiency and profitability. With skills and abilities in computer and information technology, internal auditors will be able to examine the organization's systems and information, enabling them to manage their activities efficiently. They can develop automated tools to increase individual productivity and enhance the effectiveness of internal auditing tasks (Etemadi et al., 2017).

5. Criterion of Communication Skills: Establishing effective communication skills is considered an important part of the potential advancement of internal auditing (Smith, 2005). Therefore, listening and interpersonal communication

skills by auditors are necessary to facilitate understanding of audit findings and effectively fulfill responsibilities. Developing these skills not only enhances the potential of auditing but also improves the quality of auditing.

6. Criterion of Independence and Impartiality: Internal auditing units must possess the necessary independence to prepare their reports objectively and accurately, regardless of management desires. This independence allows internal auditors to prepare their reports impartially and freely in line with the organization's objectives. Without granting this type of independence, the expected usefulness of internal auditing work will not be achieved (Mazzarol et al., 2006). Thus, the independence and impartiality of internal auditors have been introduced as another criterion for assessing the quality of internal auditing.

The Institute of Internal Auditors (IIA) (2016), the Chartered Institute of Internal Auditors (2018), and the International Auditing and Assurance Standards Board (IAASB) (2013) have defined independence as the "freedom from conditions that threaten the ability of internal auditors to perform their responsibilities in an unbiased and nonpartisan manner." Impartiality is also defined as a mindset devoid of bias that ensures internal auditors perform their duties in a manner that inspires confidence and trust in their work, and agreements are made without compromising quality (Chartered Institute of Internal Auditors, 2018).

Continuing with the introduction of criteria for assessing independence and impartiality:

1. Communication between the Internal Audit Unit and the Audit Committee: The International Professional Practices Framework for Internal Auditing (2016) states that the Chief Internal Auditor must report to a level of management within the organization that allows the Internal Audit Unit to fulfill its responsibilities. Therefore, both internal audit standards and independent audit standards assert that the independence of the internal auditor directly depends on the reporting relationship between the audit committee and the internal audit unit (Institute of Internal Auditors, 2002; American Institute of Certified Public Accountants, 2013). In other words, the more actively the audit committee supervises the internal audit unit, the greater its independence will be.

Abbott et al. (2016) have chosen the degree of influence of the audit committee compared to the degree of influence of management on the internal audit unit as the first criterion for assessing independence. Additionally, some researchers believe that if management's influence on the internal audit unit is greater than the audit committee's influence, it will lead to a reduction in the independence of the internal audit unit (Cohen et al., 2010; Norman and Rose, 2010). The reason for this is that greater management penetration and influence compared to the audit committee over the internal audit unit will increase the likelihood of issuing manipulated reports by the internal audit unit. Therefore, one of the criteria for assessing independence is the reporting entity of the internal audit report (audit committee or management).

2. Outsourcing of Internal Audit Activities: Abbott et al. (2007) also believe that the existence of outsourced internal audit units, although it may be attractive due to cost reduction and cost savings, may create concerns for in-house internal auditors regarding the security of their jobs. Therefore, the second criterion for assessing the independence of the internal audit unit, according to Abbott et al.'s research, is based on the presence of outsourced internal audit units. In other words, they assumed that the less outsourced internal audit units there were, the greater the independence of the in-house internal audit unit.

3. Non-involvement of Internal Audit Staff in Non-audit Activities and Non-provision of Assurance Services for activities previously the responsibility of the internal auditor: Abu Azzah (2012) has introduced several criteria for assessing the independence of internal auditing, one of which is the non-engagement of internal audit staff in non-audit activities. Furthermore, international standards for the professional practice of internal auditing require internal auditors to refrain from assessing specific operations that were previously their responsibility. If an internal auditor provides assurance services for an activity they were previously responsible for, their impartiality may be compromised or weakened. Therefore, the mentioned standard stipulates that assurance services for tasks previously the responsibility of the Chief Internal Auditor must be overseen by someone external to the internal audit activity (Institute of Internal Auditors - UK, 2018).

4. Unrestricted Access of the Internal Audit Unit to Documents and Records of Assets, Departments, and Coworkers: To assess the independence of the internal audit unit, Cabuy et al. (2018) have utilized four criteria: freedom to choose the audit domain, level of reporting, level of access to documents and records subject to auditing, and provision of non-audit services. Therefore, according to these researchers, the lack of restrictions on the internal audit unit's access to documents and records of assets, departments, and resources has been identified as a criterion for assessing independence and impartiality.

Abu-Azzah (2012) has also outlined various criteria for assessing the independence of internal auditing, one of which is the unrestricted access of internal auditors to personnel and all management information necessary for their work. Additionally, the Institute of Internal Auditors (2016) has introduced the imposition of restrictions on access to documents, records, and assets as an example of violations of organizational independence and individual impartiality in internal auditing.

Approval of the internal audit program, budget, and incentives by the board of directors or audit committee to ensure the independence and impartiality of internal auditing, as stated by the Institute of Internal Auditors UK (2016), organizational independence is effectively achieved when the internal audit manager reports to the board of directors. Abbott et al. (2016) have also outlined the following as criteria for assessing the independence of internal auditing:

1. The authority approving the annual budget of the internal audit unit: audit committee or management
2. The authority reviewing and approving the annual risk assessment program of the internal audit unit: audit committee or management

Therefore, if the annual budget of the internal audit unit is approved by the audit committee, that unit has greater independence compared to a budget approved by the organization's management. Additionally, if the annual risk assessment program of the internal audit unit is approved by the audit committee, that unit has greater independence compared to a program approved by the organization's management.

The appointment and removal of the internal audit manager by the board of directors or audit committee is another criterion for assessing the independence of internal auditing introduced by Abu-Azzah (2012). Abbott et al. (2016) also consider the removal of the internal audit manager (by the audit committee or management) as a reference point for assessing the independence of internal auditing. Therefore, if the internal audit manager can be removed by the audit committee, the internal audit unit has greater independence compared to when removal is carried out by the organization's management.

Criteria related to the implementation of internal auditing operations

In many studies, the criteria for measuring the quality of internal auditing have been categorized into three dimensions: competence, impartiality, and the execution of internal auditing operations (Saidin, 2010). Therefore, in addition to competence (proficiency) and impartiality (independence), the third component is the execution of internal auditing operations (Privat et al., 2009). The following are criteria for assessing the quality of internal auditing related to the implementation of internal auditing operations:

1. Having an Internal Audit Charter: The existence of an internal audit charter defined within the organization will help ensure effective auditing and involve senior management in initiating and circulating internal audit recommendations. This, in turn, affects the effectiveness of internal auditing and increases its quality (Hailmarim, 2014).
2. Having a Risk-Based Plan and Executing Internal Audit Activities: The Institute of Internal Auditors states that the internal audit manager must prepare a risk-based plan to prioritize internal audit activities in line with the organization's objectives. The internal audit work program should be based on documented risk assessments, which should be conducted at least annually and take into account the views of senior management and the board of directors. Internal auditors should prepare a documented plan for each audit engagement, including objectives, scope, timing, and resource allocation (Institute of Internal Auditors, 2016).
3. Utilization of various hardware and software of information technology: The use of information technology to enhance the effectiveness of internal auditing is crucial. Internal auditors, facing various types of audits and increasing responsibilities, may become confused. Technology provides an advanced solution, enhancing effectiveness and simplifying the auditing process. It also organizes information and automates time-consuming workflows (Kapoor & Barozi, 2013).
4. Reporting on Implemented Internal Audit Recommendations: Internal auditors must report on the results of their audit work, which should include objectives, scope, and relevant findings and recommendations. Internal auditors should establish a process to ensure that their findings, conclusions, and recommendations for each internal audit engagement are communicated to appropriate levels of management in a timely manner and follow up until the necessary action is taken. Internal auditors should ensure that management has made decisions regarding corrective recommendations to control the actions taken (Kamali Zare & Arabzadeh, 2014). In this regard, Arna and Azan (2009) examined the percentage of internal audit recommendations implemented by management as a criterion for evaluating the effectiveness of internal auditing.

5. Existence of an Appropriate Follow-Up Mechanism: The chief internal auditor should establish a mechanism to monitor the status of audit findings and recommendations to ensure their implementation and preservation. This leads to an enhancement of the quality of internal auditing (Institute of Internal Auditors, 2016). Conducting continuous or periodic performance evaluations of the internal audit function: The International Standards for the Professional Practice of Internal Auditing state that the chief internal auditor should develop and maintain an improvement and assurance program regarding quality covering all aspects of internal audit activities, including both internal and external evaluations. Therefore, it provides requirements regarding the method of internal and external evaluations (Institute of Internal Auditors, 2016).

6. Continuous Monitoring of Internal Audit Performance: Continuous monitoring of internal audit performance by internal audit management using tools and reviewing necessary information to evaluate the alignment of internal audit activities with standards and codes of professional conduct is essential. Periodic reviews should be conducted through self-assessment or by other knowledgeable individuals within the organization. External evaluations by qualified and independent reviewers or an external review team should be performed at least once every five years (Chartered Institute of Internal Auditors, 2017).

Other Quality Assessment Criteria for Internal Audit:

1. Investment Level in the Internal Audit Function: Another criterion used by some researchers to assess the quality of internal auditing is the investment level in the internal audit function (Graus et al., 2017; Pizzini et al., 2015; Pratt et al., 2012; Pratt et al., 2009; Chartered Institute of Internal Auditors, 2009). In this regard, some researchers have used the criterion of operational expenses of the internal audit function divided by total assets to measure the investment level in the internal audit function (Graus et al., 2017; Pizzini et al., 2015).

2. Size of the Internal Audit Function: Zain and Stewart (2006) discuss that a larger size of the internal audit function compared to a smaller one, due to having better resources including a broader scope of work, higher organizational status, and diverse employee talents, is more likely to result in better internal audit performance. Therefore, they selected the size of the internal audit function as one of the criteria for assessing the quality of internal auditing.

3. Experience of the Internal Audit Function: Etemadi and colleagues (2017) conclude from research conducted by various researchers that a long history of the internal audit function within the organization enhances its performance. It appears that the long history of the internal audit function in the organization leads to increased power of the internal audit function. This is because the internal audit function has invested more in human resources and training, which can increase the power of internal audit in the organization. They also stated that the extensive experience of internal auditing in the organization facilitates the increase of competency and recognition of internal audit staff within the organization, which in turn enhances the internal audit function's ability to better perform operational and control decision-making. Moreover, internal auditing will be able to gain mastery over the organization's operations, systems, and processes over time, achieving a level of certainty and effectiveness in auditing.

2.2. literature Review

Grab et al. (2023) conducted a study in Germany to examine the relationship between the quality of internal auditing, financial reporting quality, and the effectiveness of independent auditing. The findings of the research support the hypothesis that internal auditing acts as an essential element in effective corporate governance and plays a significant role in financial reporting. Additionally, the researchers found that having professional certifications by internal auditors can lead to improved financial reporting quality and reduced costs of independent auditing, thereby increasing efficiency.

Laković et al. (2022), based on a survey of 24 companies in Montenegro that had internal audit units in 2011, investigated the relationship between the quality of internal auditing and the quality of financial reporting using regression analysis. They used five criteria to measure the quality of internal auditing: a) senior management support, b) nature of assurance services, c) professional competence in organizational independence, d) how they interact with the audit committee. The research results indicate that only two factors, the interaction with the audit committee and professional competence, had a significant impact on the quality of financial reporting.

Dreibi and Regassa (2021) examined the determinants of internal auditing quality in commercial banks in Ethiopia. This study, conducted through distributing questionnaires to 160 internal auditors in 15 commercial banks, found that internal auditors in Ethiopian commercial banks consider the performance of internal auditing and the competence and use of information technology by internal auditors as significant influential factors on the quality of internal auditing.

Troutman (2020) has examined the quality of internal auditing from the perspectives of various stakeholders including members of audit committees, senior managers, internal auditors, and partners of major audit firms

responsible for outsourcing services. This research, which is the result of his doctoral thesis entitled "Quality of Internal Auditing: Analysis from Different Stakeholders' Perspectives," was conducted using a qualitative approach and interviews. He presented the findings of 36 interviews conducted with the aforementioned stakeholders in various dimensions (inputs, processes, outputs, consequences, and contextual factors). The findings indicated that different stakeholders have different perspectives on the quality of internal auditing. For instance, internal audit managers primarily considered operational execution criteria as indicators of internal auditing quality, while audit committee members and partners of audit firms focused on the output criteria of internal audit reports as the quality standard. Additionally, executive managers and audit firm partners also emphasized internal audit results as indicators of quality. Therefore, the results showed that different stakeholders have diverse views on the quality of internal auditing. Furthermore, the interviews revealed that internal audit stakeholders, compared to the three input factors of competence, impartiality, and operational execution specified in independent auditing standards, consider a broader range of factors as criteria for assessing the quality of internal auditing. The results of this study demonstrate that the determining factors of internal auditing quality include input factors such as software skills, technical skills, personality traits, experience, and impartiality, process factors such as strong and effective relationships and communication, auditing approach, and business knowledge, output factors such as reporting and effective communication, findings and relevant practical recommendations, and contextual factors such as organizational culture and employee attraction capabilities.

Moreover, Mashayekhi and Yazdaniyan (2018) conducted a study aimed at identifying the key elements of internal auditing. They categorized the key elements of internal auditing into two levels of concepts and key factors, and to ensure the confirmation of these factors, they used the Delphi method to examine the opinions of experts and professionals in the field of internal auditing. The results of the study led to the presentation of a list of five key concepts including key characteristics of internal auditing, management of internal audit activities, services and role of internal auditing, internal audit process execution, and organizational relationships. Additionally, 17 key factors such as competence, independence, organizational impartiality, two-way interaction with the board of directors, audit committee and senior management support, outsourcing management, personnel management, assurance and advisory services, performance evaluation, improvement and quality assurance, reporting internal audit results, following up on internal audit results, etc., were defined, all of which were confirmed by experts and stakeholders in this profession.

Nikbakht et al. (2017) conducted a research study using the Grounded Theory approach and deep interviews, along with a systemic approach that encompasses inputs, processes, outputs, outcomes (consequences), and contextual factors. They designed a model for the quality of internal auditing. In this regard, interviews were conducted with 32 key stakeholders of internal auditing, including board members, CEOs, senior executive managers, audit committee members, internal audit managers of Iranian companies, as well as partners of large audit firms responsible for independent auditing or outsourcing internal auditing services, and other stakeholders and observers, including officials from the stock exchange organization, the official accountants' association, the board of directors of the Internal Auditors Association, and several managers of auditing organizations as supervisory bodies.

Dadashi et al. (2017) investigated the impact of structural characteristics of the internal auditing unit on the likelihood of financial statement fraud occurrences. For this purpose, data from 125 companies during the years 2012 to 2015 were utilized. The findings of the research indicated that the experience and tenure of the internal audit manager have respectively negative and positive effects on the likelihood of financial statement fraud occurrences in the examined companies. However, significant effects of other structural characteristics of internal auditing on the likelihood of financial statement fraud occurrences were not observed.

3.Methodology

This research is considered applied in terms of objective and descriptive-analytical in terms of data collection method, which currently focuses on describing and interpreting conditions. Therefore, it seems that adopting an interpretive approach among the existing approaches is the most appropriate research methodology, and in this regard, using the Delphi research method will facilitate achieving the research objectives. Since the aim of this research is to identify the criteria for assessing the quality of internal auditing based on the environmental conditions of Iraq using the Delphi methodology, the following stages have been carried out in this research:

A. Theoretical foundations study: In the first stage, while reviewing the literature and research background and utilizing the experiences of researchers in other countries, a total of 29 criteria for assessing the quality of internal auditing were identified and categorized into four groups: competency, independence, operational execution-related criteria, and others.

b. Questionnaire Design: In this stage, the selected criteria, which the researcher deemed compatible with the environmental conditions of Iran, were extracted, and based on them, key questions (consisting of 29 questions

suitable for inclusion in the questionnaire) were designed for expert opinions. It is worth mentioning that in each of the questionnaire questions, it was asked whether the following criterion could be considered as a measure of assessing the quality of internal auditing or not.

c. Expert Survey: In order to obtain a consensus of opinions from experts (professional and academic) regarding the criteria for assessing the quality of internal auditing, the Delphi research model was used, which is a valid and recognized scientific model for expert surveys. In this stage, based on the extracted foundations from comparative studies, questions were prepared. These questions were provided in the form of a questionnaire to experts who possessed the desired characteristics for membership in the Delphi group.

A scoring system was used to allow for a more accurate assessment of the expert opinions within the Delphi group. The scoring system in this research refers to selecting a numerical value from among the numbers listed below each questionnaire question. Accordingly, the respondents were asked to first provide their positive (agree) or negative (disagree) opinions about each question and, if providing a positive opinion (agree), to specify the intensity of their agreement in the form of a number from one to nine

3.1. Research hypotheses

Due to the qualitative nature of this research, hypotheses are not typically formulated. Instead, researchers usually focus on describing, interpreting, and elucidating patterns, underlying frameworks, or principles that can be used for data analysis and interpretation. This approach in qualitative research often involves descriptive and interpretive methods such as interviews, observations, and content analysis, aiming to delve deeper into understanding the phenomena under study.

3.2. research objective

1 Evaluation the criteria for assessing the quality of internal auditing.

2- Evaluation the criteria for assessing the quality of internal auditing prioritized and ranked.

4.3. Society of statistics

In this study, the required sample size was determined using EXcell software and the RMSEA, GFI, and AGFI indices. Based on this, the minimum required sample size was calculated to be 246 with a GFI of 0.9762. Therefore, the mentioned questionnaire was distributed among experts, and ultimately, a total of 246 questionnaires were obtained for data analysis.

Descriptive Statistics

The subject of descriptive statistics is setting and classification of data, graphical representation, and calculation of quantities including mode, mean, median, etc. that indicate the characteristics of each sample of the population. In descriptive statistics, the data resulting from a group defines the same group. In this research, the individual characteristics of the respondents include sex, age, occupation, education, and work experience. In the following part, Frequency and frequency percentage are mentioned in levels of each variable.

Table 1 Description of respondents based on demographic variables

Frequency Percentage	Frequency	Variable Name	
10.6	26	Female	Sex
89.4	220	Male	
19.3	52	Under 30	Age
38.6	95	30 to 40 years old	
37.7	89	40 to 50 years old	
3.7	10	50 to 60 years old	
0.7	2	Over 60	
29.2	72	CEO	Occupation
28.8	71	Supreme of Audit	
34.9	86	Supreme of Correction	
7.1	17	Financial Manager	
1.5	6	Diploma	Education
72.4	170	Master's Degree	
26.1	70	PhD	
26.4	64	Less than 10 years	Work Experience

4.4. Model of research

In this study, a model of internal audit quality was designed based on four categories: Stakeholder satisfaction, Financial results, Internal Learning and growth, criteria related to the execution of internal audit operations, and other factors. The final model of internal audit quality was discovered through expert consultation. For this purpose, theoretical foundations, research background, and 27 criteria for assessing internal audit quality in the four aforementioned categories were studied and proposed for expert consultation, as outlined in Table 2..

Table 2 proposed criteria to measure the quality of internal audit

Learning and growth	L1: Average age of auditors L2: Average years of auditing experience L3: Education level of auditors L4: Average annual professional retraining hours of auditors. L5: Auditor's ability to use information technology L6: Proportion of employees with professional certification
Stakeholder satisfaction	Z1. Management functional position for internal audit.. Z2. The level of satisfaction of the State Assets Supervision and Administration Commission with internal audit. Z3. Audit committee's satisfaction with internal audit. Z4. The degree of acceptance of internal audit results by management. Z5. The level of satisfaction of the auditee with internal audit. Z6. The number of complaints received by the internal audit department Z7. The satisfaction of the external audit organization from the internal audit provided by the internal audit unit. Z8. The extent of use of internal audit results by the external audit structure.
Financial results	R1. The internal audit found that the company's expenses were reduced. R2. The amount of the difference between the internal audit fee and the budget. R3. The amount of fraud discovered by internal audit. R4. Use an internal audit to save on external audit costs. R5. The ratio of added value of internal audit to the cost of internal audit. R6. Number of major audit findings and recommendations. R7. Audit recommendations are adopted and implemented
Internal audit process	M1. Importance of audit matters M 2. The ratio of achieving internal audit objectives M 3. The use of information technology in internal audit M 4: The degree of continuous improvement of the internal audit process. M 5: Timeliness of audit reports. M 6: The degree of perfection of the internal audit quality assessment results

4.5. AHP analysis

According to the scoring of the comparison between the 4 main indicators of "effective factors of stakeholder satisfaction", "learning and growth", "financial results and "internal audit process", which chooses a number from 1 to 9, and according to the output of the Expert Choice software, the matrix of paired comparisons The components affecting the effective components of the internal audit quality are obtained as follows.

Table (3) matrix of paired comparisons of components affecting the quality of internal audit with a balanced evaluation approach

Index rank	Importance	Stakeholder satisfaction	Learning and growth	Internal audit process	Financial results	Effective components of internal audit quality with a balanced evaluation approach
3	0/147	0/478	0/394	2/187	-	Financial results
4	0/109	0/443	0/514	-	0/457	Internal audit process
2	0/255	0/717	-	1/946	2/536	Learning and growth
1	0/314	-	1/394	2/258	2/094	Stakeholder satisfaction

Table (4) matrix of pairwise comparisons of "learning and growth"

Index rank	Importance	L6	L5	L4	L3	L2	L1	Effective factors of the learning and growth process
5	0/189	0/301	0/322	0/341	0/268	0/226	-	L1
6	0/123	0/187	0/202	0/276	0/246	-	0/175	L2
4	0/208	0/401	0/432	0/429	-	0/504	0/539	L3
3	0/241	0/567	0/723	-	0/698	0/514	0/789	L4
1	0/403	1/345	-	1/175	2/123	0/975	1/946	L5
2	0/356	-	0/775	1/468	1/326	1/268	1/026	L6

As seen in table (4), "the auditor's ability to use information technology indicates that the internal audit process is a priority." With a weight of 0.403, "Proportion of employees with professional certification." with a weight of 0.356 and "average hours of annual professional retraining of auditors." They are ranked first to third with a weight of 0.241. Also, the inconsistency rate of this matrix is equal to 0.020, since this value is smaller than 0.1, so it can be said that judgments and paired comparisons have consistency and reliability.

Table (5) matrix of pairwise comparisons of "factors of financial results"

Index rank	Importance	R 7	R 6	R 5	R 4	R 3	R 2	R 1	Effective factors of financial results
3	0/473	2/312	2/167	2/714	2/523	2/698	2/612	-	R 1
6	0/167	0/458	0/613	0/504	0/533	0/521	-	0/534	R 2
4	0/258	1/209	1/401	1/432	1/334	-	1/678	1/456	R 3
5	0/211	0/813	0/767	0/815	-	0/823	0/897	0/987	R 4
1	0/657	3/423	3/567	-	3/375	4/132	4/289	4/455	R 5
7	0/106	0/298	-	0/275	0/233	0/326	0/247	0/254	R 6
2	0/546	-	2/476	2/976	2/203	3/126	3/143	3/123	R 7

As seen in table (5), "the ratio of added value of internal audit to the cost of internal audit" with a weight of 0.657, "audit recommendations are adopted and implemented." with a weight of 0.546 and "the internal audit found that the company's expenses have decreased." They are ranked first to third with a weight of 0.473. Also, the inconsistency rate of this matrix is equal to 0.041, since this value is smaller than 0.1, so it can be said that judgments and paired comparisons have consistency and reliability.

Table (6) matrix of paired comparisons of "internal audit process"

Index rank	Importance	M 6	M 5	M 4	M 3	M 2	M 1	Effective factors of the internal audit process
4	0/189	0/786	0/759	0/654	0/768	0/908	-	M 1
1	0/556	3/453	3/346	3/903	3/735	-	5/979	M 2

5	0/105	0/401	0/307	0/397	-	0/406	0/504	M 3
2	0/361	1/775	2/324	-	2/176	2/134	4/923	M 4
3	0/287	1/093	-	1/361	0/987	1/145	3/539	M 5
6	0/083	-	0/198	0/189	0/126	0/168	0/105	M 6

As seen in table (6), "the ratio of achieving internal audit objectives." With a weight of 0.556, "the degree of continuous improvement of the internal audit process." with a weight of 0.361 and "timeliness of audit reports." They are ranked first to third with a weight of 0.287. Also, the inconsistency rate of this matrix is equal to 0.012, since this value is smaller than 0.1, so it can be said that judgments and paired comparisons have consistency and reliability.

Table (7) matrix of paired comparisons of "Stakeholders' satisfaction"

As seen in table (7), "the extent of using internal audit results by the external audit structure." With a weight of 0.498, "Functional position of management for internal audit." with a weight of 0.447 and "the degree of acceptance of

Index rank	Importance	Z 8	Z 7	Z 6	Z 5	Z 4	Z 3	Z 2	Z1	Stakeholder satisfaction.
2	0/447	1/983	1/312	1/987	2/987	2/334	1/309	2/868	-	Z1
5	0/167	0/309	0/258	0/324	0/404	0/398	0/387	-	0/408	Z 2
4	0/276	0/401	0/539	0/458	0/498	0/703	-	0/578	0/656	Z 3
3	0/361	0/967	1/308	1/408	1/345	-	0/987	1/076	0/868	Z 4
6	0/107	0/211	1/423	0/277	-	0/325	0/303	0/289	0/297	Z 5
7	0/086	0/162	0/210	-	0/111	0/223	0/226	0/203	0/254	Z 6
8	0/043	0/096	-	0/076	0/116	0/203	0/116	0/103	0/109	Z 7
1	0/498	-	1/987	2/786	3/613	2/456	1/609	2/009	3/125	Z 8

internal audit results by management." They are ranked first to third with a weight of 0.361. Also, the inconsistency rate of this matrix is equal to 0.045, since this value is smaller than 0.1, so it can be said that judgments and paired comparisons have consistency and reliability.

5. Conclusion

Objective Based on the results, 27 indicators were selected for the IAQE index. The indicators were classified according to experts' opinions and consensus in five BSC perspectives. This consensus with Nasiripour, 2023.

which supports the view that IAQ should be evaluated from different perspectives. In the IAQE index, there were eight indicators of stakeholder satisfaction. 9 indicators were selected as stakeholder participation. Seven indicators make up financial results and six indicators each make up internal audit process and learning and growth perspectives.

All four dimensions were rated as important to create a comprehensive IAQE index. However, the internal audit process dimension has received the most recognition since a scientific and effective internal audit process forms the basis of the IAQE index. Harris and Williams (2020) supported this revelation. Therefore, the issues related to the internal audit process, "proportion of achieving internal audit objectives", "the importance of audit issues", and "the degree of completeness of internal audit quality assessment results", among others, need urgent attention. Experts believe that the dimensions of stakeholder satisfaction and financial results are the next priority indicators because both indicators directly deal with the quality of internal audit results. Stakeholders' satisfaction with the objectivity of the audit evaluation, the accuracy of the audit findings, the appropriateness of the audit opinions, and the functionality of the audit recommendations are useful in the evaluation of IAQ. As reported by Souad et al. (2021), stakeholders play a key role in IAQE. As such, the recognition of stakeholders is crucial in the development of IAQE (Azzali and Mazza, 2018). Financial results directly measure the quality of internal audit results by introducing the main indicators of financial performance audited by the internal audit unit.

In terms of individual dimension analysis, experts revealed priority areas that need immediate attention. "The ratio of achievement of internal audit objectives" is the most prioritized index among the eight stakeholder satisfaction indicators, because this index shows the degree of approval of the company's management of the internal audit results. A more effective and higher-quality internal audit function leads to higher acceptance of internal audit conclusions by management. As revealed by Azzali and Mazza (2018), stakeholders play a key role in IAQE. Experts' weighting of "audit committee satisfaction with internal audit" and "management's functional position in internal audit" as the next priorities support the importance of stakeholder satisfaction in the IAQE index system. Internal audit members consisting of independent directors who should have strong financial expertise and rich experience can provide an overall understanding of internal audit activities that help improve the quality of the entire company.

The indicators of financial results created in this study include the internal audit of reduced company costs, the findings related to company costs, the acceptance and implementation of audit recommendations, and the added value of internal audit to the cost of internal audit. Harris and Williams (2020) support this finding. However, the AHP analysis showed that the added value of internal audit to the cost of internal audit is the most prioritized indicator among the indicators of financial results. If various departments accept and implement audit recommendations, there is a greater chance that the results will be valid and actionable. Therefore, financial reporting issues in internal audits may help to improve the company's financial results. In this regard, experts advised that audit findings and recommendations are key to improving financial results. The main audit findings are not limited to company costs, production and marketing costs that have a significant impact on the company's development, operations and financial position are key priorities. Regarding internal audit process indicators, the results of achieving internal audit objectives have the highest priority. According to the dynamic principle, the internal and external environment of the company, the completion rate of a specific audit program should not only measure the quality of the process, but should also pay more attention to the achievement of the audit objectives (Gaosong and Leping, 2021). The higher the achievement of audit objectives, the higher the effectiveness of internal audit. Therefore, the improvement of the internal audit quality process and results were approved by the experts to be considered in the internal audit process.

In the learning and growth section, the use of information technology was significantly considered, the experts recommended that it should have the highest priority and immediate attention among the learning and growth indicators. Companies are dynamic and continue to evolve, hence, through the continuous professional IT use process of internal auditors, there is a higher degree of internal audit quality improvement (Gaosong and Leping, 2021). It exposes internal to the latest information and technology required for quality internal auditing. The high level of consistency between experts' judgments indicates their unanimous approval of the order of priority in the implementation of learning and growth indicators. This is because learning and growth indicators equip internal auditors with professional knowledge and skills that are compatible with the specific assessment needs of companies (Zhu et al., 2021).

The IAQE index has many similarities with domestic and international texts. At the domestic level, the study by Chaoli (2008), Guilong (2013), and Guizhen). It is comparable. However, the inclusion of stakeholder and audit committees in the present study provides a broader and more comprehensive view of the IAQE index (Souad et al., 2021; Hazaea et al., 2021). Internationally, this study has similarities with Azzali and Mazza (2018), Palfi and Bota-Avram (2009) in the UK. Similarly, the contents of this study are similar to the indicators developed by international

institutions ACRA, CAANZ, FRC UK, PCAOB, US CAQ, IOSCO (Federation of European Accountants 2015). brings together to provide a valid and comprehensive index for IAQ assessment. Evaluation feedback from internal auditors and audit committee members of selected companies provides additional support regarding the relevance of indicators in the IAQE indicator system.

6.1.Restrictions

It This study has a number of limitations related to survey data and methodology. These cases are briefly as follows:

The survey scope of this study is limited to the big cities of Iraq, where most of the listed and non-listed companies are concentrated. Therefore, the results of this study may not be generalizable to companies in northern Iraq such as Erbil, Sulaymaniyah and Mosul. Moreover, the results cannot represent the diverse set of companies that operate in the less business environment in Iraq.

Choosing a sampling method is another limitation. The available sampling method was used only by referring to people and analysts available to the researcher. The preparers of financial statements from the companies accessible to the researcher were invited to voluntarily participate in the self-administered questionnaire. This tendency to exclude people with limited access was relatively biased. In addition, only companies located in the cities where the survey was conducted had the chance to participate in the study.

Some respondents of the questionnaire did not have enough knowledge about internal audit, but they completed the questionnaire and no control was done in this regard.

7. Suggestions

7.2.practical Suggestions

This study offers the following practical contributions. (1) The result of the study is related to companies that seek to improve the quality of their internal audit. Considering the role of internal audit quality in financial reporting and the survival of a company, the strength of the IAQE index is very important for small and large companies. Therefore, institutional regulators, managers and audit committees can use this comprehensive IAQE index including multi-dimensional stakeholder satisfaction, stakeholder involvement, financial results, internal audit process and learning and growth to strengthen their internal audit quality and financial reporting. (2) According to the feedbacks of the companies admitted to the stock exchange, the adoption of this index will improve the working efficiency of the executive managers and their understanding of the internal audit activities and will give the full role of corporate governance in smooth implementation.

Internal audit If a company establishes effective internal control, it ensures the quality of its financial reporting disclosures and improves the reliability of information. According to the findings of the study, we offer recommendations:

As follows

1 .Firms should use a comprehensive, reliable and multi-level IAQE index to guide and evaluate internal audit quality. This helps to accept internal audit holistically and solve possible internal audit issues. Companies' assessment of internal audit quality should generally focus on stakeholder satisfaction, stakeholder involvement, financial results, internal audit process, and learning and growth dimensions as well as related indicators.

2 .In evaluating internal audit quality, companies and key stakeholders should prioritize and encourage issues related to internal audit quality. Assigning the same level of importance to key dimensions or adopting a neutral position when

Implementation of internal audit quality plans According to the findings of the study, we suggest that the internal audit process dimension, which focuses on internal audit objectives, should have the highest priority and be recognized.

3 .Since internal audit quality assessment relies on collaboration between key stakeholders, we recommend smooth collaboration. among stakeholders to ensure that evaluation results and recommendations are adopted and implemented by all stakeholders. The implementation of internal audit also requires the close cooperation of several departments and personnel.

7.2.Ideas for additional research

Based on the results of this study, the following suggestions are proposed for future research

1. Are the current incentives and influential factors in improving the quality of internal auditing present in Iraqi companies ?

2.If the incentives and influential factors in improving the quality of internal auditing in Iraqi companies are not sufficient, what actions are necessary to activate them ?

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