

Key Factors Affecting Internal Auditor Performance: A Literature Review Paper

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Abstract

The aim of this article is to highlight and review the main factors that have impact on the internal auditor. The study framework was developed on the basis of an in-depth review of the previous literature theory. Prior studies have pointed out some factors; however, there is no consensus on it, this is because of the differences in work atmosphere. Thus, the study focused on discovering the internal and external factors that have effect on auditor performance through reviewing 25 seminal scholarly works that was done in the last five years. The result showed that there are two prominent categories have impact on internal auditor performance which are internal factors (e.g., individual and organizational factors), and external factors (e.g., environmental, governmental, technological factors) that have significant impact of internal auditor performance. Eventually, the discussion and some recommendations have been suggested for future studies.

Keywords: Internal factors, External factors, Internal auditor, Performance.

Introduction

Auditing is considered a tough and stressful occupation which contains and surrounded by heavy duties at workplace, many deadlines, time pressure, social pressure and commitment towards the organization (Johari et al., 2019). The stated pressures or stresses faced by auditors may lead to mental and physical disorder and contribute for decreasing job performance (Johari et al., 2019). Auditors' job performance could also be interpreted as audit quality and has been measured from few perspectives such as effectiveness and efficiency of auditors in conducting audit procedures and decision making performance (Mohd Nor, 2011). Auditors' job performance could also be interpreted as the ability of auditors to achieve the department objectives emphasized on quality opinion (Loke et al., 2016). However, performance depends

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on skills, abilities, and knowledge which are vary from one to another. Due to that, Johari and his colleagues argued that as any one individual is different from other individuals in terms of ability and personality; most companies tend to evaluate employees based on their individual job performance. In auditing, individual job performance is very important and must be handled appropriately since it affects the quality of audits whereby compromises with job performance may produce substandard audit quality and consequently lead to potential legal liabilities and loss of credibility for the organization (Johari et al., 2019). Therefore, we have seen that previous literature focused on finding factors that contribute to increase the auditor performance, whereas there is a lack of studies to introduce a holistic framework act as guidance for future streams. As a result, our study is focusing on providing a comprehensive framework to work as an eye opener for upcoming researches through conducting a deep and specific literature review for key factors affecting the internal auditor performance. Although, several studies attempted to introduce some models, but mostly focused on audit technology investment (Garven & Scarlata, 2020). So, the main objective of this study is to highlight the proper literature that related to internal auditor performance for coming out with holistic framework based on theories for guiding future scholarly works.

Literature Review

Internal auditor performance

Internal auditing as defined by the Institute of Internal Auditors (IIA) as “an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations” (Mokhitli & Kyobe, 2019). IIA also proposed that the execution of this role is done through assurances to senior management and the board by evaluating governance, internal controls and risks management initiative and that internal audit provides advice to management to ensure achievement of strategic objectives (Mokhitli & Kyobe, 2019). In addition, internal auditing is a distinct, objective, value-adding and advisory practice designed to improve the operations of an organization. It assists an organization in achieving its goals through providing a structured, competency-based approach to assess and improve the efficiency of managing risk, control and management processes (Eniola, 2020). Although, there are plethora of studies dealt with internal auditing performance, but the gap still opening due to the various factors have real impact on shaping the auditor’s performances. Moreover, previous studies have also showed that inconsistent results in the relationship between positive workplace factors and internal auditor performance. Therefore, this study focuses on exploring the most key factors have directly or/and indirectly affected the internal auditor performance.

Factors have direct effect on internal auditor performance

According to Rosli et al. (2012) explored the role of individual, organizational, environmental, and technological influence on the auditing performance for IT perspective. They found that many are gaps are existing in prior literatures which studied every factor alone that did not show the whole picture of auditing performance (Rosli et al., 2012). Moreover, Eniloa (2020) have analyzed the internal control procedures and performance of the company in Nigeria located in south-west region. Multiple regression models were used to check whether there is any impact on financial performance from internal audit control, control practices, risk management control, control environment and monitoring activities. The results showed that there is positive relationship between internal audit control, risk management and monitoring practices and organizational success. In contrast, control practices and control environment have a negative impact on firm performance (Eniola, 2020). In addition, the study recommended that a regular monitoring and management of internal auditors is need (Eniola,

2020). Related to this, Moorthy et al. (2011) explored the role of information technology on internal auditor performance in Malaysia. The results showed that there is a positive association between information technology and internal auditor performance (Moorthy et al., 2011).

In Iraq, Ali et al. (2023) studied the effect of negative audits and audit environments on internal auditor performance in manufacturing companies. The results demonstrated a favorable relationship between negative audit and audit environment and the internal auditor performance of Iraqi manufacturing enterprises (Ali et al., 2023). In Malaysia, Johari et al. (2019) examined the potential factors of pressure have a significant effect on 203 auditors' job performance. Factors are work overload, time pressure and social influence pressure. The results showed that there is no significant relationship on work overload to auditors' job performance. However, the study also found that factor of time pressure shown a positive significant relation on auditors' job performance, while social influence pressure shown a negative significant relationship on auditors' job performance (Johari et al., 2019).

According to Garven and Scarlata (2020) investigated the association of internal audit function and audit committee factors with internal auditing technology investment for 2013 chief audit executive (CAE) public and private company from Anglo-country culture (i.e., the USA, Canada, Australia, Ireland, the UK, New Zealand and South Africa). The results indicated that several of the studied factors are associated with investment in internal auditing technology, and taken together, suggest that CAE power may be the key driver in the technology investment decision. In contrast, internal audit functions are not fully embracing the use of information technology (IT) tools and techniques (Garven & Scarlata, 2020). In Vietnam, Tram et al. (2023) studied factors that affecting the internal audit effectiveness. These factors are capacity and number of employees of internal audit, relationship between internal audit and external audit, managing support, political institution, and group interest. The results showed that these factors have effect on the internal auditor effectiveness. More specifically, these factors associated with the internal audit in public rather than private business units in Vietnam (Tram et al., 2023). In support, Mokhitli and Kyobe (2019) found that information technology has impact on internal auditor performance (Mokhitli & Kyobe, 2019).

On the other hand, other studies have concluded that there are factors have negative impact on auditor performance. For example, Brody and colleagues (2020) examined the relationship between emotional intelligence and internal auditor performance for 69 MBA students who completed the Emotional Intelligence inventory provided by Genos International in Australia. The study found that there is not relationship between emotional intelligence and internal auditor performance (Brody et al., 2020), although the positive effect of emotional intelligence with general employee performance which is well documented in literature. Similarly, in Indonesia, Poltak et al. (2019) examined the determinants of the effectiveness of internal audits at the Ministry of Marine Affairs and Fisheries (KKP). The results showed that there is positive relationship between internal auditors and external auditors, organizational independence, and auditee perceptions and effectiveness of internal audits. In contrast, audit professionalism has negatively affect the effectiveness of internal audits (Poltak et al., 2019). In another study, Seralurin et al. (2022) investigated the impact of locus of control, task complexity, and organizational commitment on internal auditor performance selected cities in Indonesia. The results revealed that locus of control had a significant effect on internal auditor performance. However, task complexity had a negative effect on internal auditor performance. Whereas, organizational commitment did not affect internal auditor performance (Seralurin et al., 2022).

The mediation and moderation variables

There are some mediators' variables found in literature. For example, Ali et al. (2023) investigated the mediating effect of audit process independence on the relationship between the negative audit and audit environments on internal auditor performance in manufacturing companies in Iraq. The results revealed that the independence of the auditing process has mediating effect on the relationship between negative audits, audit environment, and internal auditor performance (Ali et al., 2023). In addition, Čular et al. (2020) examined the mediation effect of internal auditor objectivity on the relationship between internal auditor's engagements in risk management on external auditors' decisions. The results showed that the effect of audit committee effectiveness on the reliance decision is mediated by external auditors' perception of internal auditors' objectivity (Čular et al., 2020).

On the other hand, there are variables introduced as moderator for affecting the internal auditor performance. Accordingly, Poltak et al. (2019) investigated the moderating role of management support as moderator in the relationship of determinants factors that affect internal audits effectiveness in Indonesia. The results showed that management support cannot be a moderating the relationship between determinant factors and internal audit effectiveness (Poltak et al., 2019). Similarly, Seralurin and colleagues (2022) introduced cultural based development as moderator in the relationship between locus of control, organizational commitment, task complexity and internal auditor performance. The results Papuan culture-based development did not moderate the effect of task complexity on internal auditor performance, and traditional Papuan culture based- development did not moderate the effect of organizational commitment on internal auditor performance (Seralurin et al., 2022).

Underpinning theories

There are divers theories had been used to justify the model of auditing performance. According to Rosli et al. (2012) stated that some theories employed to develop the model of auditing from different aspects (e.g., cultural, technological, individual, or environmental). For example, the theory of planned behavior (TPB), theory of Reasoned Action (TRA) (Rosli et al., 2012), Technology of Acceptance Model, Motivational Model, Theory of Planned Behavior, Model of Personal Computer Utilization, a combined Theory of Planned Behavior and Technology Acceptance Model, Innovation Diffusion Theory and Social Cognitive Theory (Maria et al., 2022; Taylor et al., 2019).

Conceptual Framework

The framework is conceptualized based on the prior scholarly work in auditing field more specifically that related to internal auditor performance. Although the wide spreading of factors that have effect on internal auditor efficiency and effectiveness, we managed to categorize the studied variables in broad scope on the bases of good theories such as TPB, TRA, and TAM assumptions (see figure1).

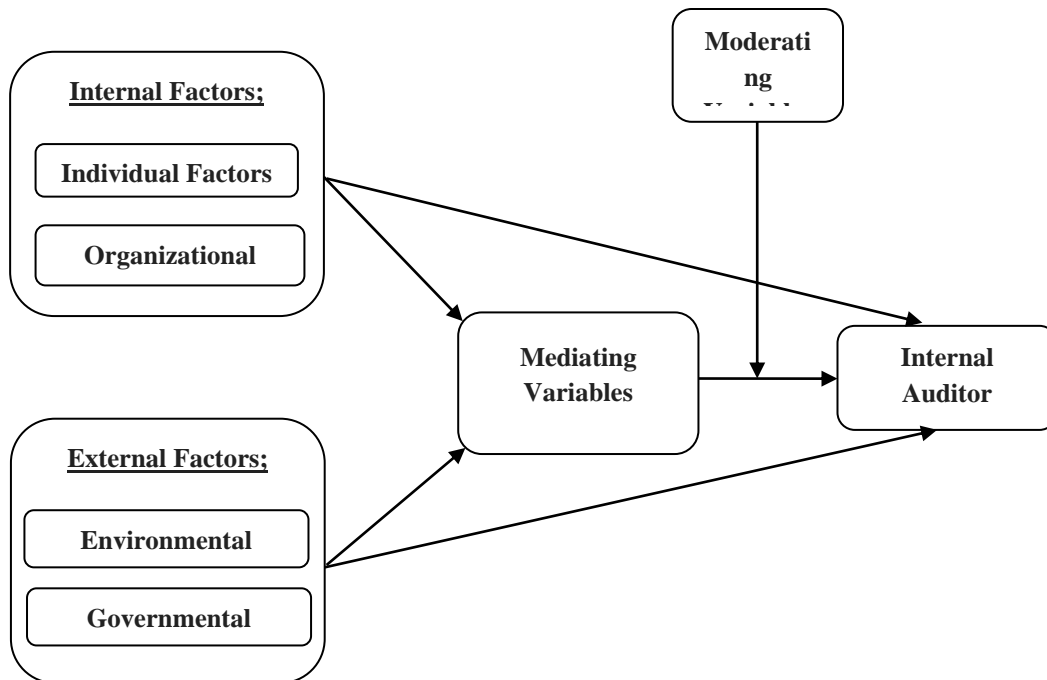


Figure 1; Showing the conceptual model based on literature review

Methodology

In this article, authors have followed certain methods and procedures are followed for conducting a deep literature review. We have started by collecting secondary data for different sources (i.e., Web of Science databases, Science Direct, Google Scholar, and Research Gate) through employing criteria by choosing last five (5) years. After running a first round of search; we got more than two hundred related to the key words “internal auditor performance.” Next, after reviewing and analyzing that articles, we found only twenty-five (25) articles are more related to the sated criteria for reviewing the topic.

Discussion and Conclusion

The objective of this study is to investigate the key factors that have effect on internal auditor performance through reviewing previous related work to come out with a comprehensive conceptual model. In general, literature showed that there two categories have effect on the performance of internal auditor which are; first, internal factors are consist individual factors (i.e., locus of control, performance efficacy, effort efficacy, and social efficacy) and organizational factors (i.e., size, readiness, management support, and commitment). The internal factors including individual and organizational are considered more important for increasing the auditor performance (Al-Hiyari et al., 2019; Brody et al., 2020; Johari et al., 2019; Tram et al., 2023). Second, the other factors are categorized under external factors which consisted environmental (client and complexity), governmental (rules and regulations), and technological (general IT, cyber security, and software) factors. The factors have significant effect on the performance of auditor (Garven & Scarlata, 2020; Seralurin et al., 2022; Tram et al., 2023). Finally, there are other intervening factors such as mediation and moderation variables which used based on the satiation in order to increase the auditor performance in certain situations (Ali et al., 2023; Poltak et al., 2019).

In conclusion, this study aimed to explore the key factors that affecting the internal auditor performance. This is due to the lack of scholarly work in categorizing antecedents of auditor performance. In order to address that gap, we collected and analyzed the related literature for having a conceptual framework for future studies based on theories. This model includes the internal and external factors might have strong impact on internal auditor performance (see, figure 1). Ultimately, the study provided a new contribution by introducing that model which may act as true guider for future work in auditing performance.

Limitations and Future Studies

Every study has limitations due to several reasons such as time, cost, culture, and/or scope...etc. therefore, this study is focused on drawing a conceptual framework to grasp all the possible factors that impacted on internal auditor performance. However, the future studies may focus on empirical studies rather than conceptual one. In addition, this study focused in reviewing that last five years only (since 2018), whereas, the upcoming studies can review more that this in order to figure out other factors in detailed.

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