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# New perspective on the black box of internal auditing and organisational change

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## Abstract

**Purpose** – The shift from the traditional audit towards performance audit implies that internal auditors in the public sector function as change agents who underpin the fundamental change process. This paper aims to propose a model that identifies the determinants of organisational change in the public sector that result from internal auditing and the way internal auditors facilitate it.

**Design/methodology/approach** – The conceptual discussion of this paper is based on a review of relevant literature, both practical and academic.

**Findings** – This paper develops an innovative model that describes the factors leading to auditees' change readiness after undergoing internal audit processes. The independent variable is audit information quality and the dependent variable, organisational change. Auditees' perceptions is the mediator variable, and accessibility to audit information is the moderator variable.

**Practical implications** – The proposed model suggests the advantages that can be gained by audit-related services, which in turn will add value to the organisation. The relationships between the variables inform practitioners on how to support effective audits as a means of increasing performance and influencing organisational change.

**Originality/value** – As the paper offers an innovative model, it may open up new research areas in internal auditing that can be studied by using both qualitative and quantitative methods.

**Keywords** Internal auditing, Organizational change, Performance audit, Audit information quality, Auditees' perceptions

**Paper type** Conceptual paper

## Introduction

The concept of auditing influences broader managerial fields, such as programme evaluation, performance management and network governance, and is influenced in kind by them (Power, 1999; Troupin, 2012). Internal auditing (IA) has recently grown increasingly important as a useful monitoring mechanism (Sarens *et al.*, 2012). The Institute of Internal Auditors (IIA, 2013) defines IA (as opposed to external auditing) as:

An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation[...] to evaluate and improve the effectiveness of risk management, control and governance processes.

According to this definition, adding value to an organisation's operations should be the uppermost goal of IA and should drive the entire audit process. In other words, internal



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auditors must improve operations, and not only inspect and monitor them (Spencer-Pickett, 2010). IA committee chairs across a range of industries indicated that in the future they would expect the IA function to add value and contribute to organisational performance through business improvement initiatives (Soh and Martinov-Bennie, 2011). Therefore, understanding how IA creates value in organisations is critical (Hass *et al.*, 2006; Sarens, 2009). With the IIA's definition as a point of departure, we will take one step further in our review and analysis of the relationship between IA and organisational change in the public sector. This study offers an innovative model that describes and analyses factors leading to change readiness as a result of IA processes.

The growing importance of performance audit (PA) to the public sector implies that internal auditors are expected to focus on results and direct their recommendations towards ways of achieving them (Pollitt *et al.*, 1999; Put and Bouckaert, 2010). As a result of new public management reforms and because of subsequent interactive and corporate governance processes of the past decade (Leung *et al.*, 2004; Put and Bouckaert, 2010), the public sector's demand for PA is steadily increasing. The classic fault-finding audit of inputs, activities and procedures is no longer sufficient for the needs of current management or for learning and accountability needs (Put and Bouckaert, 2010). Auditors' ability to comply with the growing demands for efficiency is explicitly linked to effectiveness analyses and the auditees' ability to contribute to performance and change (Leeuw, 1996; Radcliffe, 1998, 1999, 2008). Hence, the issues of change management and ways of adding value to public sector organisation have become significant (Bou-Raad, 2000; Goodman and Ramanujam, 2012; Sarens and De Beelde, 2006).

Chambers and Odar (2015) assume that IA findings should directly support organisations' governance systems. Internal auditors are able to contribute to the enhancement of organisational processes, depending on the degree of their collaboration with managers in addressing problems and threats (Arena *et al.*, 2006). In fact, internal auditors may become, among their other functions, change agents, who lead fundamental change processes (Spencer-Pickett, 2010). However, one of the greatest problems auditors face is "selling" the changes that emerge as necessary by their audit findings (Dittenhofer, 1997). While auditors are not supposed to actively manage changes, ignoring internal auditors' recommendations or perceiving them as an obstacle in organisational dynamics negatively affects organisations (Flesher and Zanzig, 2000). A positive organisational climate supportive of auditing may lead to the implementation of auditor's recommendations.

Various authors attempted to reveal the factors influencing the use of audit findings. Pollitt *et al.* (1999) identified innovative audit techniques, auditors' skills, long-term strategies, involvement of auditees and greater publicity of audit reports. Environmental factors outside the control of the organisation such as political contexts, the interests of auditees and timing of publications were also found to be influential. Other authors (Morin, 2001, 2008; Moynihan and Pandey, 2010; Taylor, 2011; Weets, 2008) claimed that the auditees' feelings towards auditors, the power relations between them and the degree to which auditees accept change and identify with recommendations as fundamental determinants are, as well, among the factors influencing effective use of audit findings. Others suggest that the use of audit information correlates with support from leadership and accessibility to audit

information (Ingraham and Moynihan, 2001; Morin, 2008). Finally, the audit information quality and the internal audit team's abilities have also been linked (Arena and Azzone, 2009; Ingraham and Moynihan, 2001).

Despite the immense research on the topic, the literature fails to either address or operationalise a number of major determinants of IA use. First, organisational change is mostly absent. Second, while auditees' perceptions are mentioned as important determinants, research tells us very little about what such perceptions actually are. By elaborating on the roles of auditees' perceptions, our proposed model enhances the understanding of the relationship between IA process and implementation. Third, the importance of audit information quality is discussed elsewhere in the literature, but not operationalised, thus hindering researchers' ability to study the role of audit standards and other meta-auditing aspects. Finally, it seems that the importance of accessibility to increasing the use of audit findings is often neglected. Our model not only provides a framework with which to understand the variables that determine the use of audit findings but also explains the relationship between them. Our study thus offers theoretical and practical tools to increase the use of audit information for creating organisational change.

The purpose of this study is to shed light on and offer insight into the relationship between IA and organisational change. Our research model (Figure 1) indicates that those auditees' perceptions, audit information quality and information accessibility may be related to organisational change. While this is a descriptive and exploratory study that proposes a limited set of variables, it may pave a new way both for future research and practical implications. We suggest that better understanding of IA processes and mechanisms may lead to organisational change and may be the linchpin for organisational performance and effectiveness. Our point of departure is that the organisation is ready for change, and internal auditors have generated relevant knowledge fostering such a change.

The paper is organised as follows: In the next section, we present various aspects of:

- the dependent variable, which is organisational change;
- the internal auditor's role as a change agent; and
- organisational readiness to change following the auditing.

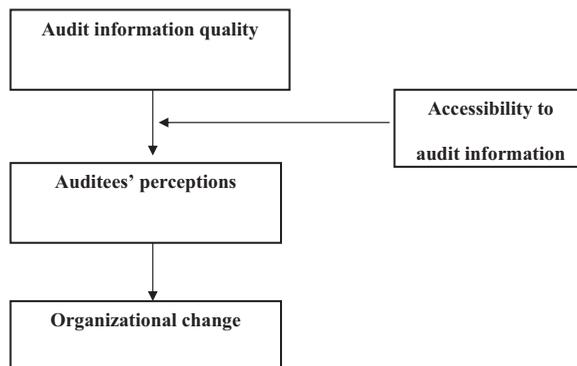


Figure 1.  
The research model

Subsequently, we review the three variables that relate to organisational change: audit information quality, the independent variable; auditees' perceptions, the mediating variable; and accessibility to audit information, the moderator variable. We conclude with commentary on the potential of the study model both at the practical and empirical levels.

### Proposed model of variables that affect organisational change

#### *Organisational change*

Organisational change is one of the best known research and practice processes. The concept of change is defined by Van de Ven and Poole (1995, p. 512) as "an empirical observation of a difference in quality of state over time". In most cases, organisational changes are designed to improve organisational efficiency and to help an organisation react to changes in the environment (Chih-Chung, 2007). Change strategies can be thought of as lying on a continuum ranging from incremental to radical change and can be grouped as either micro-level (individual) or macro-level (group or organisational) strategies (Szamosi and Duxbury, 2002). Organisational changes are usually formal, planned and goal-directed; as such, organisations try to actively manage the processes and outcomes associated with them (Pettigrew *et al.*, 2001).

The principal models of change management processes involve three phases: preparation for, adoption of and institutionalisation of change by embedding modifications into the organisational norms (Armenakis and Bedeian, 1999; Lewin, 1947). In the first phase, the change agent recognises a problem that requires attention. A change agent from a given unit of the organisation may find the process of establishing a relationship that is conducive to change to be more complex than someone else from the same unit (Hayes, 2002). Likewise, internal auditors must build a relationship with management that leads from compliance and verification to organisational change, the latter for which may be instrumental equally significant audit recommendations (Spencer-Pickett, 2010), also adding value to management (Christopher, 2012). The internal auditor must therefore take on the role of consultant (Fraser and Henry, 2007) but mainly focus on the first phase, which is preparation. Thus, the internal auditor's role as a change agent triggers and drives organisational change.

The process of driving change can, however, be stymied by change resistance or a lack of change readiness. *Change resistance*, which is defined as employees' efforts to maintain the status quo and that manifests in an undesirable attitude or behaviour, as a result of management's change efforts, is recognised as a part of organisational change processes (Erkama, 2010; Stensaker and Langley, 2010). Tichy and Devanna (1986) identified three main reasons for organisational resistance to change:

- (1) technical barriers (habit and inertia);
- (2) political reasons (threats to coalitions that may signal leadership problems); and
- (3) cultural reasons (climate that does not support change, regression to the "old days" style of operation).

An interesting avenue for future research is the study of organisational change resistance as sets of power struggles (Erkama, 2010). For instance, change resistance is not necessarily about resisting actual change, but rather about resistance to a specific individual's action, to power or to practitioners who command the power to change (Jansson, 2013; Vaara and Tienari, 2011). Another reason for slow change is a

conservative culture (Christopher, 2012). Internal auditors have to be able to cope with the various types of resistance to prime managers for change.

*Change readiness*, in contrast, is a multilevel construct that can be more or less present at the individual, group, unit, department or organisational levels (Weiner, 2009). Hence, readiness is defined as the degree to which those involved are individually and collectively primed for and motivated to change as well as technically capable of executing it. The multilevel perspective of readiness appears to be both a cause and a consequence of readiness (Holt and Vardaman, 2013). Readiness for change involves many factors, including the extent to which the organisational culture embraces innovation, risk taking and learning (Jones *et al.*, 2005); the importance of flexible organisational policies and procedures and a positive organisational climate (Eby *et al.*, 2000).

Readiness is created through fostering the willingness and ability of individuals in the organisation to evolve as a result of the change event and is supported by the conditions in the organisation that enhance change readiness (Rusly *et al.*, 2012). In this regard, implementing changes based on data obtained by IA is dependent on the change readiness of managers as well as the organisation. Morin (2008) found that auditees favourably view recommendations emerging from *value for money* audits. But auditors have not been successful in convincing auditees to adopt management practices. Immediate improvements that are not carried out by the auditees as required may diminish the effectiveness and value of auditing (Elliot *et al.*, 2007).

The IA report and recommendations constitute the first phase of future organisational change. The recommendations must contain explicit instructions for correcting the identified deficiencies, and management must approve them to effect change. To possibly facilitate the change readiness of managers, Dittenhofer (1997) suggests that internal auditors look at the change from the manager's point of view. To accomplish this, it is crucial to involve auditees in the auditing process and to supply accurate and usable performance information that can lead to actual change. However, developing a practical science of organisational change involves overcoming more hurdles than the primary one of scholarship and relevance (Pettigrew *et al.*, 2001). Until now, little empirical research has focused on building a construct to better understand how to promote successful organisational change (Rusly *et al.*, 2012). In particular, the relationship between IA and organisational change remains unclear. Our purpose here is to describe a process that may lead from IA to organisational change.

#### *Audit information quality*

Audit information is defined here as the formal and informal, ex post and ongoing reporting of auditors that is generated from various audit types (Barzelay, 1997). As with the assumption that audit information quality is positively associated with its potential to be used for internal control (Sarens, 2009) and accountability purposes (Van Dooren *et al.*, 2010), the audit information quality is assumed to decisively influence the desire and ability of managers to use it for organisational learning and change (Ingraham and Moynihan, 2001; Wholey, 1999). Quality of information was also found to be a main determinant for organisational change in the field of program and policy evaluation (Ledermann, 2012).

The importance of audit information quality for organisational change is bound up with the emergence of PA, which, as described above, evaluates economy, efficiency and effectiveness (Put and Bouckaert, 2010). As stated, PA implies that organisations expect

their auditors to supply information on results, and recommendations leading to these results (Pollitt *et al.*, 1999). From this perspective, the questions are, what is considered effective PA information, and how can it be used for organisational change? With respect to audit information quality, we consider two dimensions: accuracy and utility (Bouckaert, 1993; Pollitt *et al.*, 1999).

To understand what accuracy and utility of internal PA information means, we refer to the Professional Internal Auditing Standards (IIA, 2012). Contained therein is the section called the Performance Standards, which “describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured” (IIA, 2012, p. 1), and address the dimension of accuracy. The Performance Standards also emphasise that it is important to establish:

Adequate criteria to determine whether objectives and goals have been accomplished. If inadequate, internal auditors must work with management and/or the board to develop appropriate evaluation criteria (IIA, 2012, p. 13).

While congruent with the PA perception and with how IA has adapted to current managerial demands, the standards remain silent on how auditors should approach these tasks.

Evaluation theorists developed a more elaborate set of guidelines called the Programme Evaluation Standards (AJCSEE, 2011). As PA is based on evaluation practices (Barzelay, 1997; Gunvaldsen and Karlsen, 1999; Pollitt and Summa, 1996) and because the audit standards specifically refer to IA’s evaluation function, the Programme Evaluation Standards can enlighten us about the suggested criteria for increasing use and organisational change.

The Accuracy Standards section of the Programme Evaluation Standards explains how to design the evaluations of relevance, efficiency and effectiveness of programmes or organisations in a valid, reliable and clear manner, thus enabling their effective use for accountability and organisational learning. Building on vast theoretical and empirical knowledge, the Programme Evaluation Standards emphasise the need for the following (AJCSEE, 2011):

- triangulation of sources and data collection methods;
- participatory evaluation/auditing;
- validity and reliability of methods used and sampling techniques;
- description of how and why processes lead to results; and
- comparison of intended results and processes with actual achievements.

Accurate analyses, however, do not alone determine the audit information quality. As mentioned, the second major determinant is utility or, in other words, the importance of the information being clear, actionable and in accordance with stakeholders’ intended use of the findings (AJCSEE, 2011; Patton, 2008; Stufflebeam, 2000). Utility can also be seen as the capacity of information to challenge current practices and suggest new perspectives and orientations that are aligned with the organisations’ goals (Van Dooren *et al.*, 2010; Weiss, 1997).

Utility-focused auditing and evaluation accept that performance analyses are inherently not, and should not be, value-free. The way to make audit findings usable is hence to understand whose values will frame the auditing process by working with

clearly identified, primary intended users in the organisation (and when needed also outside the organisation), who are also responsible for applying the findings and addressing (but not necessarily accepting) recommendations (Fettrman and Wandersman, 2005; Patton, 2008, 2011; Wholey, 2002, 2003).

An important utility aspect is the timing of audit findings delivery: common IA practice is an ex post analysis of actions and processes that have already completed (Conings *et al.*, 2007), mainly because auditors prefer to avoid analyses that may negatively affect future budgets (Power, 1999). This problem involves a change in perception, but also a synchronisation of the auditing cycle with the accounting and management cycles in a way that the audit results will be available to organisations for their planning phases (Van Dooren *et al.*, 2010).

The final utility aspect for increasing managerial change is the clarity of audit information and inclusion of recommendations. Dittenhofer (1997) states that it is imperative that auditors communicate positively, avoid authoritative expressions and logically organise information in acronym-free, clear and concise language. In both oral and written communications, auditors should create a collaborative atmosphere that encourages change and acceptance, which should also extend to consultations with auditees on how to frame findings and recommendations. Indeed, recommendations are crucial for managerial change (Pollitt *et al.*, 1999). When writing recommendations, it is important to remember that “changes will ‘improve’ operations not ‘correct’ them” (Dittenhofer, 1997, p. 26). Having identified intended users, auditors should focus on the needs of auditees and work with them towards organisational improvement.

To conclude, audit information quality was defined and operationalised in terms of accuracy and utility; both were described as determinants of audit information use in general and for managerial change in particular. However, audit information quality influences auditees’ perceptions of the usefulness and added value of audit findings to the organisation and is influenced by them (Morin, 2008; Weets, 2008). We therefore postulate that the more auditors follow the above procedures, the more the accuracy and utility of audit information will increase and its use for organisational change. Hence, we designate auditees’ perceptions as the mediating variable in our model, which we discuss in the next section:

*P1.* Audit information quality is related to organisational change.

#### *Auditees’ perceptions*

By auditees’ perceptions we refer to the manner in which organisations as a whole, as well as individuals in organisations (both managers and employees), treat audit information and embrace audit findings and recommendations. Several researchers found that auditees’ perceptions are significantly linked to the use and influence of audit findings. Morin (2001, 2008) found that positive feelings of auditees towards auditors, perceptions of power relations, acceptability of critics and support from leadership in the auditing process are the main factors that determine whether auditors will accept auditees’ recommendations.

De Vries (2000, in Weets, 2008) found that the influence of social-organisational distance between auditors and auditees is crucial to the degree to which audit information is used and the degree it has effect. He added that the attitude to learning and willingness to accept changes are also significant factors in determining whether

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auditors' recommendations are accepted. Weets (2008) noted the following five factors as determinants influencing the use of audit information:

- (1) auditees' feelings towards auditors;
- (2) legitimacy of auditors;
- (3) auditees' perception of the value added by the PA;
- (4) willingness of auditees to follow-up on auditors' recommendations; and
- (5) auditees' perceptions of the overall effect of the PA.

Due to the significance of auditees' perceptions that other studies have already shown, we selected it as the mediating variable in our model. While we agree with the above account of the construct, we turned to IA literature to explore a number of neglected factors that influence the use of findings. We specifically consulted evaluative literature, which is relevant to the nature of PA (Barzelay, 1997) and throughout which use and influence have been extensively researched over the past two decades. Rist and Stame (2006) and Patton (2008) discuss the concepts of *performance orientation* and *evaluative thinking*, respectively. The two concepts similarly refer to managers' and employees' systematic and reflective engagement and cooperation with the performance measurement and evaluation functions in organisations. These authors have identified three main dimensions of these concepts, which we use as a basis for our definition of auditees' perceptions: involvement of intended users, support from leadership and learning orientation. To these, we add a fourth dimension, trust, as it is a fundamental aspect of audit perception and essential to effective auditing (Rennie *et al.*, 2010).

#### *Involvement of intended users*

This dimension refers to involvement of the auditees in the audit process. While Morin (2008) and Pollitt *et al.* (1999) already noted its importance to audit effectiveness, they do not elaborate on its meaning or the methods of increasing such involvement. Patton (2008) writes that it is:

Involvement of the program management in the planning [...] and [a] participatory relationship between evaluation staff and program staff [...] where program staff [are] actively involved in the evaluation process [...] [and] in the planning of evaluation (p. 76).

He maintained that learning, cooperation and improvement occur only if those who undergo evaluation are involved in the development the evaluation and contribute to it (Patton, 2008). The assumption is that the more the bottom- and middle-management are involved in the auditing or evaluation processes, the more they will be committed to them (Bouckaert, 1993; Bouckaert *et al.*, 2008; Patton, 2008). Involving managers and employees can be accomplished by several methods, such as anonymous questionnaires, interviews, internal websites, consultations, brainstorming sessions and workshops. Besides the increased legitimacy and use of audit information for organisational change, it is assumed that such activities will increase the process use of audit findings, which is the "individual change in thinking, attitudes and behaviour, and program or organisational changes in procedures and culture that occur among those involved" (Patton, 2008, p. 155). The engagement of managers and employees in the audit function differs from the traditional and technical top-down approach that assumes that individuals at all levels in the organisation will cooperate with an internal

audit system and improve their work due to its control function and hierarchy-type mechanism (Bouckaert *et al.*, 2010).

#### *Leadership support*

Morin (2001) and Sayag (2008) emphasised that support of senior managers was critically tied to use of audit information, specifically to successful implementation of organisational processes. Ingraham and Moynihan (2001) concluded that direct leadership support of performance findings influences the way other managers and employees in the organisation (and other relevant parts of the environment) approach these findings and the extent to which they support reforms and organisational change. King (2012) supports these observations and adds that perceptions of performance findings in organisations are dependent on not only the actual support of leaders but also their visible participation in PA and evaluation processes. This accords with the earlier mentioned aspects of involvement of intended users and positively influences the attitude concerning performance measurement practices (Patton, 2008; Rist and Stame, 2006).

#### *Learning orientation*

Various researchers (Morin, 2001; Poliitt *et al.*, 1999) asserted that the use of audit information depends on the willingness of auditees to accept recommendations. Patton (2011) linked such willingness to individuals' learning orientation, which he defined as the shift from rendering judgment on overall effectiveness and efficiency to identifying why things succeed or fail and how they can be improved. These features are relevant for both ex post and ongoing auditing (Pollitt *et al.*, 1999).

Rooted in the organisational culture (Goh and Richards, 1997), learning orientation is associated with the use of audit findings specifically aimed at organisational change, not their traditional control and accountability functions (Van Dooren *et al.*, 2010). Goh and Richards (1997) note that learning orientation is the ability to implement a double-loop learning process across organisations. Driven by internal auditors who cooperate with intended users, this process leads to new ideas and changes.

Organisations characterised by low levels of learning orientation are associated with having internal control and accountability cultures (Goh and Richards, 1997). Control-oriented organisations focus their auditing processes on sanctioning or motivating either the organisation or individuals, as well as on presenting budget allocations (Van Dooren *et al.*, 2010). Accountability-oriented organisations focus their auditing processes on how to report performance and good management to bodies to which the organisation must render account (Van der Meer and Edelenbos, 2006). Moynihan (2008) stated that accountability- or control-orientation imply the use of a hard-formula approach, whereas focussing on learning is compatible with a soft-use one, which enables problem-solving and organisational improvement based on interpretation of processes. While learning orientation mostly leads to organisational change and improvement, control- and accountability-orientation have greater impact on the core business, budgets and reputation of organisations (Van Dooren *et al.*, 2010).

#### *Trust*

Finally, monitoring, which imposes structural constraints on the relationship between the trustor and trustee, is an important antecedent of interpersonal trust (Fulmer and Gelfand, 2012). Dirks and Ferrin (2001) argued that the role of trust in organisations depends rather on the strength of the context. While there is a differentiation of roles,

people are more dependent on trust (and less on familiarity) in their interactions with each other (Seligman, 1997). Trust has been shown to mitigate the negative effect of negative feedback (Peterson and Behfar, 2003), such as the kind that an internal auditor must at times deliver to a client.

Specifically, Cummings and Bromiley (1996) suggested that trust between departments with different functions inside the same organisation is specifically composed of three dimensions: keeping commitments, negotiating honestly and taking care not to make excessive demands that could be construed as taking advantage of the other. They argue that optimal expenditures on monitoring and control depend on the level of trustworthy behaviour in organisations. Trust has been shown to mitigate the negative effect of negative feedback (Peterson and Behfar, 2003), such as the kind that an internal auditor must at times deliver to a client. However, Christopher *et al.* (2009) examined IA independence within Australia and its threat to the necessary cooperation between high-level management and IA; a high level of IA independence somewhat impair the management's trust.

Along the same lines, trust and monitoring have been found to be negatively correlated due to the overlap between trust and risk (Rousseau *et al.*, 1998). However, trust may increase when monitoring is considered appropriate and normative in a relationship (Ferrin *et al.*, 2007). It is clear that auditing procedures are firmly grounded in reciprocal relationships between individuals and groups and that trust is both inherent to and inevitable in audit processes, but the latter may be undermined because the understanding of the relationship between trust and IA is insufficient (Skinner and Spira, 2003). So far, studies have only examined trust between auditors and their clients from the perspective of the auditor. Previous research has found that auditors with greater trust in their clients are less likely to carry out aggressive reporting than are less trusting auditors (Rose, 2007). Rennie *et al.* (2010) found that auditors believe it is important to trust their clients and that trust in auditees is positively influenced by the duration of the auditor–client relationship.

The four dimensions of auditees' perceptions are interrelated, and they mutually reinforce each other: for example, involvement of intended users influences leadership support and learning orientation. Likewise, such involvement is dependent on the support and desire of managers to focus on learning issues rather than on other control and accountability features. Moreover, involvement of intended users in the audit process also strengthens the trust between auditors and auditees. These interrelations influence the general perception of IA in an organisation and thus determine organisational change. Our model shows that even when audit information quality and auditees' perceptions both support organisational change, they are not sufficient to guarantee that audit recommendations will be implemented. Auditees and management must also be able to access IA information. Hence, the moderator variable in our model is accessibility to audit information, which we discuss in the next section:

- P2. Auditees' perceptions is mediated between audit information quality and organisational change.

#### *Accessibility to audit information*

Ingraham and Moynihan (2001) applied the concept of accessibility to describe availability of audit information to managers, suggesting that “decision-makers are more likely to use information that is easily accessible to them” (p. 5). As the problem

in big organisations is often of too much information, accessibility should also be understood to mean clear communication of what should be done and how (Van dooren *et al.*, 2010). Specialisation and fragmentation of organisational units and policy-administration separation as a result of new public management reforms have affected accessibility (Bouckaert *et al.*, 2010), giving rise to the need for new or renewed communication and coordination mechanisms, formal and informal, for use between auditors and management (Bouckaert *et al.*, 2008).

While it is supposed that IA information is mostly processed in a formal mechanistic manner, first reviewed and then used to inform accountability, control or learning, the reality is more complex. Not only are more than 50 ways of using performance information identified (Behn, 2003; Van Dooren *et al.*, 2010), managers do not regularly read auditing reports, but rather prefer to receive their information by talking directly to auditors or other informed managers (Pollitt, 2006). Hence, on the supply side, direct formal and informal communication should be established between management and auditors, while on the demand side, auditors should have access to information (documents, interviews and surveys) from managers and employees (Pollitt *et al.*, 1999). Taking these measures should ensure that managers are informed of ongoing IA activities and findings and those auditors receive the necessary input to carry out the PA in an independent manner (Christopher *et al.*, 2009).

Internal auditors should directly communicate with audit committees in organisations that have them. It is routine for the chief auditor to be invited to formally audit committee meetings in which auditing plans, results and recommendations are discussed (Christopher *et al.*, 2009). According to Drent (2002), unlike senior management, audit committees usually respect internal auditors' independence; this and the independence audit committees usually have (Christopher *et al.*, 2009) make the interrelations between the audit committees and internal auditors simpler than those with management.

In addition to increasing accessibility, establishing effective communication channels according to the above guidelines is also believed to reduce hostile resistance to auditing (Weets, 2008). Dittenhofer (1997) identified three types of resistance to IA, which result from individual antagonism to the concept of audit and all directly hinder the effects of audit on organisational change:

- (1) avoidance of top auditee officials from meeting with auditors;
- (2) hindrance of accessibility to records and personnel; and
- (3) ignorance of audit findings.

Organisations that take measures to guarantee accessibility as described earlier are less likely to experience resistance and even when they do, it is easier to remedy it quickly and directly by involving supportive top managers.

Regardless of how high the quality of the audit information, its effective use depends on two conditions:

- (1) that managers are exposed to it; and
- (2) as PA findings are not value-free, that managers understand how best to apply them to managerial practices (Patton, 2011).

The responsibility for ensuring that both conditions prevail is shared by the auditors producing the information and the auditees using it. The corollary may also be assumed: when information is of low quality, high accessibility and effective communication may compensate to some degree for quality problems (Rist and Stame, 2006).

Accessibility to audit information emerges from the relationship between the auditor and auditees; hence, we identify it as a moderator variable in our model (Figure 1). Accessibility to audit information moderates between audit information quality and auditees' perceptions as a result of auditors' reliance on a constant information flow from auditees. Adherence to utility standards is dependent on understanding the needs of both managers and employees, a process which involves close and ongoing communication between auditors and auditees. Similarly, direct access to all types of information through direct and ongoing communication, formal and informal, is critical for producing accurate information (AJCSEE, 2011; Patton, 2008). Supplying accurate and usable information is therefore highly dependent on mutual knowledge exchange, which can occur when levels of accessibility to information are high but is diminished when they are low (Weets, 2008):

*P3.* Accessibility to audit information is moderated between audit information quality and auditees' perceptions.

### **Conclusions, future research directions and practical implications**

This descriptive and exploratory study produced a model that offers insight into the internal auditor's role and how it influences organisational change. We have shown that audit information quality functions as an independent variable and have demonstrated that information must adhere to accuracy and utility standards to support auditees' perceptions and their readiness for change. The mediator variable, auditees' perceptions, demonstrated that involvement of intended users, leadership support, learning orientation and trust are key factors contributing to organisational change. The relationship between quality of information and auditees' perceptions may be moderated by accessibility to audit information.

This study is an important contribution to current knowledge because it operationalises key determinants of IA use and relates them systematically to organisational change. The proposed model provides an innovative theoretical and practical perspective on internal auditor's practices, its results and implications. Inspired by the assumptions of contextual theory (Johns, 2006), future research might be able to expand knowledge by considering empirical research directions using the agenda offered in this paper. To empirically strengthen the proposed model, as well as the three suggested propositions, and make it more robust, it will be necessary to conduct both qualitative and quantitative research. To begin with, qualitative research can be used to study the work of the internal auditor from the auditees' perspective and to clarify the strengths and weaknesses in using IA to drive organisational change. Specifically, interviewing both internal auditors and managers according to the suggested model can give an in-depth perspective of the relevance of each variable and the relationship between them. Quantitative research based on the model proposed in this paper may reveal ways to increase the potential contribution of the IA to efficient and effective management. Furthermore, the research model can be used to study different governance environments or IA in different countries and to point to the similarities and differences of the internal auditor's role across such a range.

Internal auditors and managers alike can benefit by incorporating a number of practical recommendations stemming from this study. First, internal auditors should build appropriate relationships with organisational members to gain their trust and cooperation in

the audit processes. Managers and employees, at all levels in the organisation, need to accept and support audit findings to be able to use them for organisational change (Bouckaert, 1993; Boyle and Lemaire, 1999; Patton, 2011). Second, internal auditors should provide valuable and accurate information that can be used to contribute to organisational change. Organisations must therefore ensure that auditees at all organisational levels, including senior managers, receive only relevant IA information in an accessible and timely manner. Such accessibility depends on effective coordination and structural governance arrangements. Accessibility to IA information determines how individuals perceive information and how they practically use it to achieve organisational change. Finally, internal auditors should elaborate on the reasons and rationale for their recommendations and indicate what the expected outcomes are. Management, as the ultimate arbiter, must then decide whether to accept or reject IA recommendations.

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