

Internal Audit Effectiveness

Factors influencing management to listen to the internal auditor's risk warnings
A multi-method study from a behavioural decision making perspective

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A multi-method study from a behavioural decision making perspective

Effectiviteit van internal audit

Factoren die het management beïnvloeden om naar de risico waarschuwingen van de
internal auditor te luisteren

Een multi-methodestudie vanuit een perspectief van gedragsbeslissingen

Thesis

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TABLE OF CONTENTS

Acknowledgements	vi
Glossary	x
Preface	xi
Chapter 1 Introduction	1
Chapter 2 Does the Organization Power through Top Management Support help Internal Auditors to Reduce the Deaf Effect for Risk Warnings?	15
Chapter overview	15
2.1 Introduction	16
2.2 Literature review and theory base	17
2.3 Research model and hypotheses	18
2.3 Method	21
2.4 Results	24
2.5 Discussion	29
Appendix 1.	33
Chapter 3 Nudging with Descriptive Social Norms to Overcome the Deaf Effect for IT Project Risk Warnings	37
Chapter overview	37
3.1 Introduction	38
3.2 Literature review and theory base	39
3.3 Research model and hypotheses	40
3.4 Method	44
3.5 Results	47
3.6 Discussion	52
Appendix 1.	54

Chapter 4	The influence of 'Timing' on the effectiveness of the Internal Audit function	57
	Chapter overview	57
4.1	Introduction	58
4.2	Literature review	60
4.3	Research Question	63
4.4	Research Method	64
4.5	Results	68
4.6	Discussion	80
	Appendix 1.	85
	Appendix 2.	87
	Appendix 3.	89
Chapter 5	Views on the Influence of 'Timing' on the Effectiveness of the Internal Audit Function: A Q-methodological Study	111
	Chapter overview	111
5.1	Introduction	113
5.2	Research method	114
5.3	Results	118
5.4	Discussion	127
	Appendix 1.	134
	Appendix 2.	137
Chapter 6	Conclusions	139
6.1	Discussion of the main findings	139
6.2	Implications for Internal Audit	144
6.3	Implications for management	148
6.4	Implications for Theory	150
6.5	Limitations & Further research	155
6.5	Epilog	159
	References	161
	Summary	169
	Nederlandse Samenvatting (Summary in Dutch)	171
	About the Author	173
	Portfolio	174

GLOSSARY

Auditee	One subjected to an audit (e.g. management of an organization, entity).
Bad news messages	Unwelcome but valuable and constructive risk warning messages issued by the internal auditors to the message recipients (e.g. (project) management) about risks that threaten the organization (e.g. projects and their status).
Escalating IS-project	Information Systems projects that receive a stable or even increasing amount of resources from decision makers even when strong signals are available that goal attainment of the project is no longer viable.
Internal auditor	The risk warning messenger who meets the professional standards of the Institute of Internal Auditing (IIA, 2004).
Internal Auditing	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 (Institute of Internal Auditors (IIA) definition).
Internal audit function	The department within an organization in which internal auditors perform their roles and responsibilities according to the definition of internal auditing provided by the IIA.
Nudging	Small cues in a message that could unconsciously be of influence on people's behaviour.
Social norm	The term 'social norm' can refer to 1. what is commonly done, what is normal (descriptive norms) and 2. what is commonly approved and disapproved, what ought to be done (injunctive norms).
Timing	The precise moment for doing something for optimum effect.

PREFACE

My PhD journey started some months before I took on the responsibility for the Audit Professional Practices department within a large Dutch Bank in January, 2014. This was a perfect timing to start studying the IA effectiveness because of three reasons.

Firstly, in my new role I was responsible amongst others, for delivering input to our performance reporting to senior management that includes various indicators of the effectiveness of our internal audit department. This provided me with more knowledge of and an insight in the indicators of the IA effectiveness giving me a great opportunity to think about additional indicators to improve IA effectiveness.

Secondly, in these times, senior management of the Bank was faced with important strategic decisions that had to be made quickly and in the right direction, making the effective internal auditor's risk warnings messages to become more necessary than ever.

Thirdly, the CEO read almost every audit report and showed a great support to our internal audit function by personally paying great attention to resolving serious audit issues. This triggered me to go after the effect of this support of senior management for the effectiveness of the IA function.

Being for almost 25 years in the audit profession, having done many audits, I had the wish to give something back to the internal audit profession, give my knowledge contribution to the new generations of internal auditors who will work in practice and academic research.

All the above played pivotal role in my motivation to start a research on IA effectiveness in such crucial times for the company. This thesis consists of four individual studies on indicators of IA effectiveness, which I realised in four years' time in parallel to my full time job.

I hope the results of my studies will help to improve practices and fill the knowledge gap in academic literature about IA effectiveness.