

Impact of Internal Auditor on Organizational Performance: Mediation through Independence of Internal Auditor and Support of Management Team

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Abstract

This study investigates the impact of internal auditors on organizational performance, focusing on the mediating impact of the independence of the internal auditor and the support of the management team. This research is conducted within the specific context of two prominent organizations, Waves Singer Pakistan Limited and Pak Elektron Limited. Organizational performance is assessed by a multidimensional framework consisting of several factors, including professionalism, adherence to International Financial Reporting Standards (IFRS) rules, corporate governance practices, risk management, work-life balance, team training, and the influence of family relations within the organization. Through a comprehensive analysis of data from the selected organizations, the study reveals that internal auditors significantly affect various aspects of organizational performance. This research underscores the mediating role played by the independence of the internal auditor, emphasizing unbiased evaluations in driving organizational excellence. The supporting stance of the management team is a crucial aspect in enhancing the effectiveness of the internal audit purpose. The findings of the research study provide practical insight for organizations aiming to optimize their effectuation by empowering internal auditors, fostering independence, and promoting a collaborative environment within the management team. The study's implications extend to practitioners, policymakers, and scholars interested in improving corporate governance, internal audit practices, and organization performance.

Keywords: Organizational Performance, Internal Auditor, IFRS Rules, Auditor Independence, Management Team Support.

Introduction

The aim of all businesses is not only to earn revenue but also to ensure their financial position, and follow compliance and regulations. With time, researchers have introduced many safeguarding technologies and tools. The dynamic business landscape and increasing demands for transparency, accountability, and effective governance have elevated the importance of internal auditors. In the intricate web of

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organizational dynamics, the role of the internal auditor stands as a linchpin for ensuring transparency, accountability, and effective risk management. The impact of internal audit functions on organizational performance has become a subject of paramount importance as businesses navigate the complexities of the contemporary corporate landscape. This research endeavors to delve into the nuanced relationships between the internal auditor and organizational performance, with a specific focus on the mediating influences of the independence of the internal auditor and the support extended by the management team.

Understanding the Role of Internal Auditor

Internal auditors serve as vital custodians within an organization. Internal auditors assess and fortify internal controls, scrutinize financial operations, and offer objective insights that contribute to informed decision-making. Their role transcends traditional financial auditing and encompasses a broader spectrum of activities, including evaluating operational efficiency, identifying potential risks, and ensuring compliance with regulatory standards. In essence, the internal auditor acts as a sentinel safeguarding the integrity of an organization's processes, systems, and ultimately, its performance. Financial frauds are occurring very frequently in the world. According to the "Association of Certified Fraud Examiners (ACFE)", 2410 affairs were documented in 2016. These occurrences were recorded in 114 nations. Such cases are also a symbol of insufficient auditor effectiveness. 17% of the described affairs were intricate buyers, 14% were unidentified, 9.9% were intricate merchants, 2.7% included shareholders, and 16% were intricate competitors (Newmark, 2016).

The contribution of an internal auditor to organizational performance is evident through various aspects of internal auditing, including risk assessment, internal control evaluation, corporate governance practices, and their impact on organizational performance. It includes all the methods and procedures adopted by the business to plan and protect the organization, promote operational effectiveness, and adhere to defined executive policies. It is a pre-condition for the well-organized functioning of the corporation (Farouk & Hassan, 2014).

The company should validate and sustain a run-of-the-mill system of internal control commensurate with the dimension and class of the entity. The auditor understands and identifies, collects evidence, evaluates the proposition before him for examination, and makes his judgments (Kumar & Sharma, 2015). Internal audit controls ensure arranged and effective control for business, including compliance regulation strategies, protection of possessions, fraud and error misreckoning and detection, and correctness and completeness of account records (Ismail & Abidin, 2009).

Internal Auditor and Organizational Performance

Organizational performance, a multifaceted metric comprising financial health, operational efficiency, and strategic alignment, is inherently linked to the efficacy of internal audit functions. This research seeks to unravel this relationship's intricacies, scrutinizing how internal auditors' activities and recommendations reverberate through the organizational framework and influence performance outcomes. The

central inquiry lies in deciphering the tangible and intangible contributions of internal auditors to the overall health and sustainability of an organization. By considering the contribution of the internal auditor, the structure of internal regulators covers those substances that are intricately linked to the purposes of the accounting framework. In addition, internal audit has become a requisite administrative tool to achieve operative control by sensing weaknesses in management performance in all industries (Nyakundi, *et al.*, 2014). As internal evaluation has evolved in importance to a more comprehensive position of administration and control, questions have been raised about how viable he plays the part with greater clarity than before (Seol, *et al.*, 2017). The management of an organization plays a fundamental part in refining the efficiency of the internal audit task. Organizational initiatives affect the efficiency of internal audit by affecting its self-sufficiency. The internal auditor's autonomy is examined by setting an opportunity out of neglectful situations, fairness, and appearance of objectivity (Ege, 2015). A larger internal audit lineup can increase internal audit effectuation for performance and acquiescence, while internal auditor capability is completely related to internal control efficiency over regulations, but not performance (Chang, *et al.*, 2019). Internal auditors play a dynamic role in evaluating the efficiency of an organization's risk management processes, internal control, and adherence to regulatory standards. The support provided by the management team to the internal audit task is examined as a significant element in optimizing the potency of internal auditing activities (Mihret & Yismaw, 2007). The impact of independence on the auditor underscores the inherent ambiguity in wielding authority within internal audit functions, compounded by the time constraints auditors face. It additionally suggests the dissension between the internal auditor's standards, the presumptions, the needs of an organization, and the business (Ahmad & Taylor, 2009).

Independence and Management Support

Independence is foundational to the internal auditor's ability to operate objectively and without undue influence, ensuring that assessments and recommendations are untainted by bias or conflicting interests. Simultaneously, the support extended by the management team plays a pivotal role in integrating audit insights into strategic decision-making processes, fostering a culture of continuous improvement. The nexus between the internal auditor, organizational performance, and the mediating influences of independence and management support forms a critical terrain of inquiry within the realm of corporate governance. As organizations strive for resilience and sustainable growth, the role of the internal auditor becomes pivotal. This research embarks on an exploration of the intricate dynamics that unfold within organizations, specifically examining the nuanced interplay between the independence of the internal auditor and the support extended by the management team. The study also investigates the part of management support in enhancing the effectiveness of internal auditors. It examines how management support impacts the internal audit process, including resource allocation, enactment of audit recommendations, and integration of internal audit findings into decision-making. Understanding this relationship helps

organizations recognize the significance of management support in maximizing the benefits of internal audit activities.

Literature Review

Internal audit is a dynamic integrated process that is consistently adapted to the challenges of the organization. Management and staff at all levels should participate in this process to observe the risks and to provide a guarantee to achieve the mission and objectives of the organization. Managers and employees must have professional and personal integrity that allows them to understand the importance of developing, maintaining, and implementing internal controls to achieve the overall objectives of the internal control. The consequences of non-compliance with these internal controls could be weak internal control and involve large monetary value. An internal audit is an unconstrained, material, and consultancy activity, which increases the worth and develops the activity of an organization. Successful operation of the internal audit purpose means that it must be self-governing meaning there is no materiality effect on it (Alflahat, 2017). Internal audit helps organizations achieve their goals by providing a structure for assessing and improving the effectiveness and efficiency of internal control, risk management, and compliance processes (Hass, *et al.*, 2006). Internal audit plays a major role within the organization, by assessing and improving corporate governance and developing internal control processes that rely on systematic approaches. An internal audit is the main component of corporate governance by providing assurance. Likewise, the effectiveness of an internal audit depends on the level of independence, management support, commitment, competence, and experience of internal auditors (Pelser, *et al.*, 2020). Various characteristics are associated with the effectiveness of internal audits to increase the effectiveness of internal audits by defining the basics of internal audit functions. These include giving adequate attention to the continuous qualification and learning of the internal audit staff, making use of advanced technology, having a positive interaction with senior management, and having a positive impact on the effectiveness of the internal audit and the internal auditor (Lenz, *et al.*, 2014). The connection between the excellence of Internal Audit Functions (IAF), and internal regulator insufficiencies in procedures, rules, and regulations is significant. The results advise that an internal audit lineup can develop internal audit effectuation for activities and abidance, whereas internal auditor ability is allied with the efficiency of internal control over regulations, but not procedures (Chang, *et al.*, 2019). There is a substantial relationship between management support, independence of internal auditors, technical competence of internal auditors, and performance of internal audit function. Also, there is a positive connection between the automation of internal audit progressions and the performance of the internal audit. There is a strong connection between the audit committee and the internal audit function in terms of competence and independence, where the level of interaction increases when the audit committee consists of independent board members. It also uses the internal audit function as a basis for management training (Goodwin & Yeo, 2001). Internal Audit Functions (IAF) capability increases firm

working effectiveness, but the connection between IAF independence and firm operative competency is irrelevant. Moreover, the authors find that Internal Audit Function excellence can only expressively increase firm functioning effectiveness in the attendance of reasonable corporate governance at the organizational level and well-built institutes at the regional level (Chen, *et al.*, 2020). There is a significant relationship between the internal audit function: (competence and independence of the internal auditor) and the quality of the financial report. There is a shred of evidence harmonious with the hypothesis that the premise of both competence and independence of the internal auditor is an essential precedent for effective internal audit functions to monitor financial reporting (Abbott, *et al.*, 2016). There is a positive relationship between the development of internal audit functions (internal audit positioning, internal auditor's independence, risk identification, internal audit staffing) and corporate governance. The internal audit function's relationships concerning board support and reporting quality are critical to the efficiency of corporate governance (Changwony & Rotich, 2015).

Deception risk valuations are advanced (more conventional) when internal auditors dispense guarantees in an Internal Audit Report or when they describe mainly to the audit board. A substantial communication specifies that internal auditors dispense advanced control risk valuations when they impart guarantees in an Internal Audit Report and statement mainly to the audit board. Illustrative evidence in an internal audit report to third-party investors does not expressively disturb internal auditors' deception risk valuations (Boyle, *et al.*, 2015).

Internal audit purpose's association with administration, intimidations identified contain: maneuver the internal audit concern as a treading stone to other spots; having the chief executive officer (CEO) or chief finance officer accept the internal audit purpose's budget, forecasts, and dispense process for the internal review strategy; and because of the internal reviewer to be a "partner", specifically when shared with other unplanned intimidations (Christopher, *et al.*, 2009). The through effect of workplace bullying on the independence of internal assessors is observed through the relation between agency theory, and communal exchange theory. From the beholders' way of thinking, the examination includes government, privately owned colleges, and higher learning institutions in one of the Middle Eastern nations (Taha, 2023).

Internal audit enhanced the works through the alleviating outcome of top management assistance as helpful to administrative execution. It is therefore suggested that the beholder's ability, internal inspection individuality, and internal assessment scope should be given additional admiration and mechanisms through which these capacities can be engaged and continued for additional internal assessment facilities, and effectiveness in Nigerian federal educational institutions (Bello, *et al.*, 2018). Internal audit efficiency is firmly impacted by internal audit

superiority and administrative funding, whereas structural environs and “organization being audited” do not have a solid influence on audit efficiency (Mihret & Yismaw, 2007).

Administrative support is related to the engagement of knowledgeable staff, providing adequate facilities, intensifying the association with external beholders, and having a self-regulating internal review department. Saudi Arabia is a paradigmatic of several settled and emerging surroundings and its current practice of supremacy and audit is reflected in countries universally (Alzeban & Gwilliam, 2014). An actual internal audit role can help organizations identify opportunities for process improvement and operational efficiency. Internal audit is a crucial element of corporate governance that serves to develop the usefulness of risk probability, control, and governance procedures within an undertaking (Drogalas, 2018).

Internal audit contributes to risk reduction through the valuation of compliance protocols and the recommendation of corrective actions. Productive internal audit practices can lead to improved risk management, which in turn positively influences organizational performance (Arena & Azzone, 2009). An effective internal audit purpose encourages knowledge sharing and the application of best practices throughout the organization. This leads to adaptive learning and the ability to respond to changing environments, positively impacting performance (Abbott, *et al.*, 2016).

Internal audits can enhance operational effectiveness by suggesting best practices and process optimization strategies. Such contributions lead to cost savings, increased productivity, and ultimately improved performance (Mihret & Yismaw, 2007). Internal audit's role in assessing transparency and accountability mechanisms positively affects organizational performance. By ensuring accurate financial reporting and ethical conduct, internal audit enhances the organization's reputation and investor confidence (Gramling, *et al.*, 2004). That management support contributes to a culture of accountability and transparency. When management not only supports the internal audit function but also acts on its recommendations, it sends a strong message to employees and stakeholders about the organization's commitment to excellence (Dugdale, 2016).

a. To study the impact of the internal auditor on the organizational performance of Waves Singer Pakistan Limited (Waves Corporation Limited)

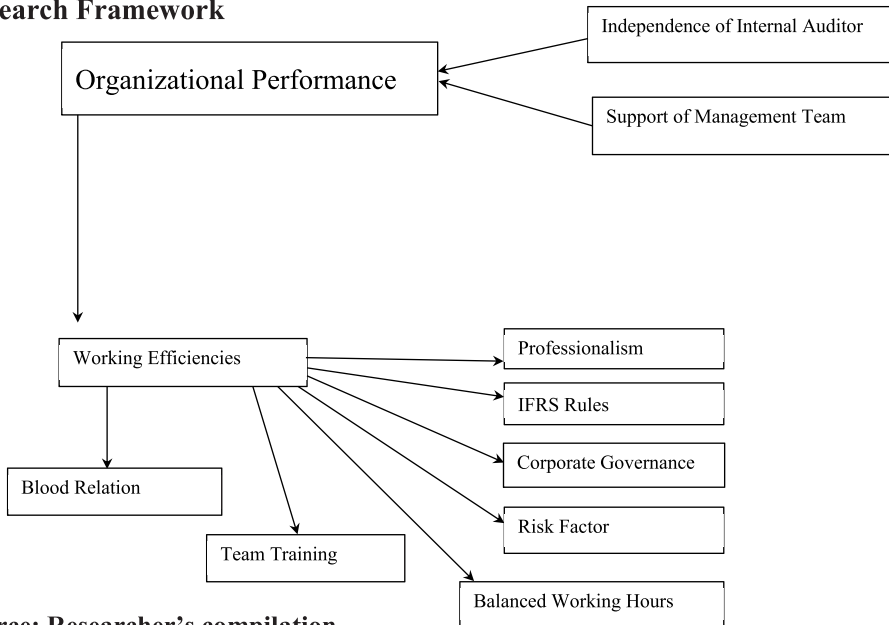
b. To evaluate the effect of the internal auditor on the organizational performance of Pak Elektron Limited (PEL)

Hypotheses

Ha₁: There is a significant impact of internal auditors on the organizational performance of Waves Singer Pakistan Limited.

Ha₂: There is a significant impact of internal auditors on the organizational performance of Pak Elektron Limited (PEL).

Research Framework



Source: Researcher's compilation

Research Methodology

A respondent-driven survey was meticulously designed to fetch the primary data, employing a method where the answerer takes responsibility for comprehending and responding to the questionnaire. This approach deemed skillful, serves to mitigate bias and enhance feedback quality. The questionnaire encompasses five variables, featuring organizational performance as the dependent variable and the independence of the internal auditor along with the support of the management team as independent variables.

The evaluation of these variables' impact on organizational performance utilized a 5-point Likert attitude scale. A total of 200 questionnaires were disseminated between employees, and trainee students (Trainee students are selected because they are working under the internal auditor of a company as a part of the internal audit team). These students are C.A (CAF) qualified and appointed in the respective company through an audit firm (QCR rated by ICAP). These are also the part of internal audit team) within selected companies, employing a method of primary data collection reliant on engaging with an illustrative sample of the target population at a specific moment. The researchers formulated a set of hypotheses that must be tested during the study problem. The study followed the following steps: identify a problem area,

define the problem area, develop hypotheses, determine measures, data collection, data analysis, and interpretation of data (Roger Bougie, 2016)

The sample in this study is designed based on an unconstrained probability sampling design. The fact that every element of the population has an equal opportunity to choose a subject. The study population is all internal auditors and the internal auditor team of selected companies. Simple random sampling will be the most appropriate type for this type of study. This sampling design has the least bias and provides the most generalization. Employing simple linear regression, the Statistical Package for the Social Sciences (SPSS) version 20 was employed to examine the outcomes.

Analysis and Findings

A comprehensive analysis was conducted on data derived from both primary and secondary sources, leading to the extraction of meaningful deductions. The examination of this data involved the application of multiple linear regression analysis, and hypotheses were rigorously tested with a confidence level set at 95%.

Descriptive Analysis

The descriptive statistics table provides summary information about the central tendency, variability, and distribution of the variables in the dataset. The variables are Gender, Age, Occupation, Marital Status, Education, Organizational Performance, Internal Auditor, and Independence of the Internal Auditor and Support of the Management Team.

Gender

The gender variable has 169 valid entries. The mean is approximately 1.40, indicating that the majority of respondents are likely male (coded as 1), as it's closer to 1 than 2 (female). As we see there are huge numbers of males in these responses, because in the Internal Audit or Accountancy field most are males. The standard deviation is 0.675, indicating moderate variability.

Table 1: Data Extracted (Primary Data)

Gender	Samples	Percentage
Male (1)	119	70%
Female (2)	32	19%
Prefer not to Say (3)	18	11%
Missing	1	
Total Samples	170	

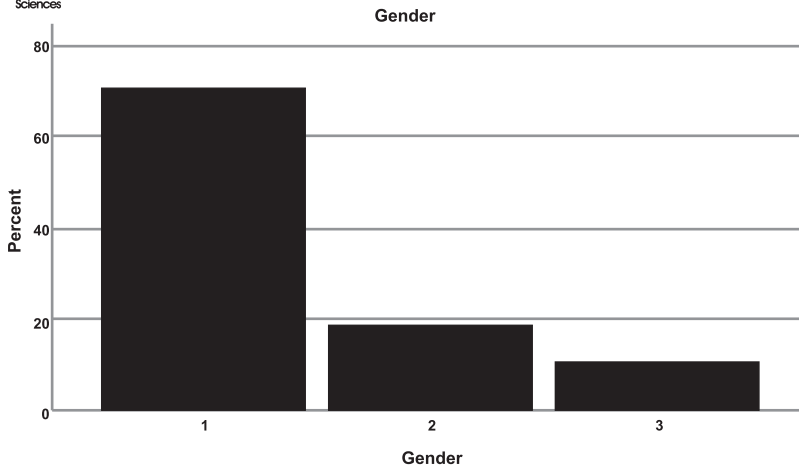


Figure 1: Gender Percentage

Age

The designed questionnaire had different ranges for age i.e. from 20-30, 30-40, 40-50, and above 50 and we got a large number of data from the age group of 20-30 because mostly students and new joining firms are more interested in the questionnaire.

Table 2: Data Extracted from Various Age Groups

Age Group	Samples	Percentage
Valid	2	1.18%
20 – 30 years	6	3.53%
20 - 30 years	84	49.41%
20-30 years	1	0.59%
30 - 40 years	35	20.59%
30-40 years	1	0.59%
40 – 50 years	1	0.59%
40 - 50 years	25	14.71%
50 years	1	0.59%
Above 50 years	14	8.24%
Total Samples	170	

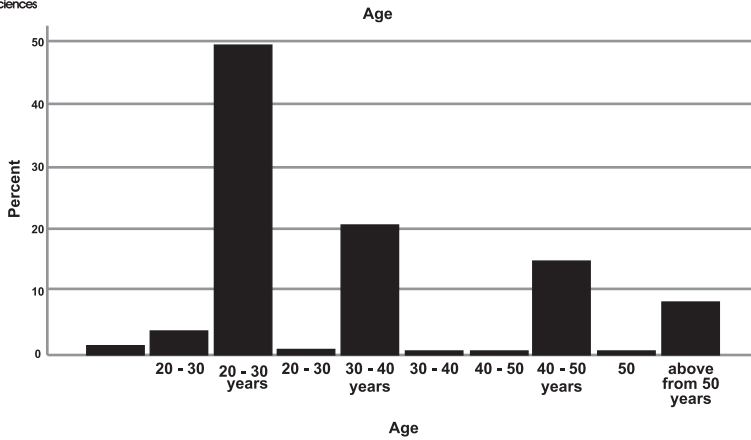


Figure 2: Gender Distribution of the Respondents

Occupation

The mean occupation score is 2.00, suggesting an even distribution among the possible occupation values (ranging from 1 to 4). The standard deviation is 1.058, indicating moderate variability. The others (4) include businessmen and housewives.

Table 3: Data Extracted from Various Occupations of the Respondents

Occupation	Samples	Percentage
Students (1)	70	41.42%
Private Employees (2)	53	31.36%
Government Employees (3)	22	13.02%
Others (4)	24	14.20%
Total Samples	169	

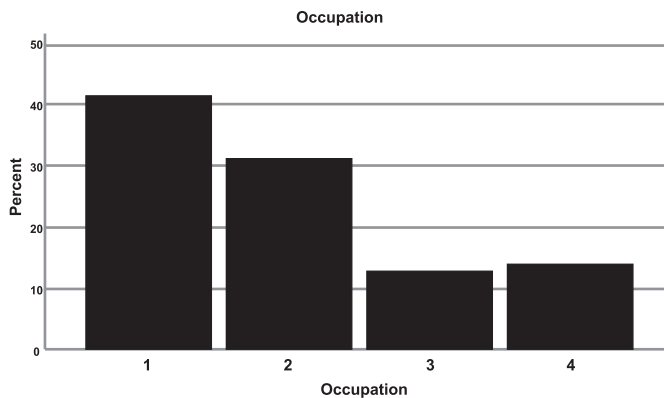


Figure 3: Percentage of Occupation of the Respondents

Education Level

Education level is an important demographic factor as it represents the level of knowledge a respondent has about the factors that are in question our floated questionnaire categorized the education level into 5 categories i.e. Bachelor’s (1), Master (2), PhD (3), CA/ACCA/ACMA (4) and others (5) are PIPFA. The mean education level is 2.44, indicating a distribution that spans from lower education (1) to higher education (5). The standard deviation is 1.367, showing a fair amount of variability.

Table 4: Education Level

Education	Samples	Percentage
Bachelor's (1)	58	34.12%
Master (2)	43	25.29%
PhD (3)	22	12.94%
CA/ACCA/ACMA (4)	31	18.24%
Others (5)	16	9.41%
Total Samples	170	

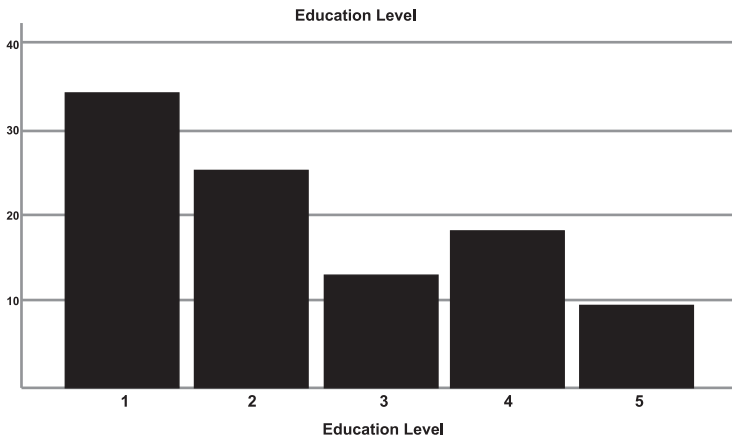


Figure 4: Percentage of the Respondents

Marital Status

The mean marital status score is 1.75, which likely corresponds to a certain marital status (e.g., single or married). The standard deviation is 0.778, indicating variability. We have three categories i.e. single, married, and prefer not to say. At number 1 we got 77 responses with a percentage of 46%, and at number 2 we got 57 responses with a percentage of 34% and 20% preferred not to say. It means single responses are in large numbers.

Table 5: Marital Status of the Respondents

Marital Status	Samples	Percentage
Single (1)	77	45.56%
Married (2)	57	33.73%
Prefer not to say (3)	35	20.71%
Total Samples	169	

Table 6: Descriptive Analysis of the Variables

Variable	N	Range	Minimum	Maximum	Mean	Standard Deviation	Variance
Gender	169	2	1	3	1.4	0.675	0.456
Occupation	169	3	1	4	2	1.058	1.119
Education Level	170	4	1	5	2.44	1.367	1.869
Marital Status	169	2	1	3	1.75	0.778	0.605
OP	170	12	3	15	6.3467	3.76954	14.209
IA	167	12	3	15	5.5749	3.50113	12.258
IIA	169	8	2	10	3.4497	2.3297	5.428
SMT0	170	8	2	10	3.6588	2.40833	5.8
Valid N (listwise)	163						

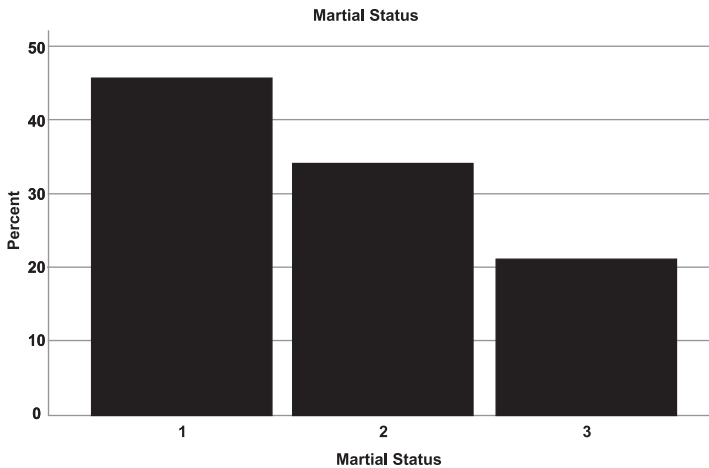


Figure 5: Percentage of the Marital Status of Respondent

Descriptive Analysis of the Variables

OP (Organizational Performance), IA (Internal Auditor), IIA (Independence of Internal Auditor), and SMT (Support of Management Team): These variables represent certain numeric scores, and their descriptive statistics contain the mean, median, standard deviation (SD), variance, range, minimum, and maximum.

Correlation Table

The correlation matrix shows the Pearson correlation coefficients between different variables. The matrix indicates how strongly and in which direction pairs of variables are related. For example, OP (variable) has a strong positive correlation with IA and IIA scores, as indicated by correlation coefficients close to 1.

Table 7: Correlation Table of the Extracted Data

	Mean	S. D	Correlation Table			
			OP	IA	IIA	SMT
	Mean	S.D	OP	IA	IIA	SMT
Organizational Performance	6.3313	3.74876	1			
Internal Auditor	5.5843	3.50957	0.76	1		
Independence of Internal Auditor	3.4398	2.34184	0.674	0.836	1	
Support of the Management Team	3.6084	2.36841	0.65	0.847	0.899	1

The correlation coefficient operates on a scale from +1 to -1, where a positive value specifies a positive correlation, meaning that as one variable intensifies, the other inclines to increase. Conversely, a negative value signifies a negative correlation, signifying that as one variable rises, the other is likely to decline. The strength of the correlation is determined by how close the value is to +1 or -1, with closer proximity indicating a stronger correlation. Conversely, a value nearing 0 suggests a weak or negligible linear correlation between the variables.

Regression Analysis

A regression analysis was conducted to understand the connection between the predictor variables (SMT, IA, IIA) and the dependent variable (OP).

The model shows that SMT, IA, and IIA collectively clarify a significant proportion of the variance in OP. The coefficients for IA and IIA are positive, indicating that higher values of these variables are associated with higher OP scores.

The coefficient for SMT is negative, suggesting a negative relationship between SMT and OP.

Model Summary

Table 8: Data of Model Summary

Model	R (Square)	Adjusted R Square	Std. Error of the Estimate	R (Square) Change	F Change	df1
1	0.585	0.577	2.43715	0.585	76.129	3

Significance level at 5%

A model summary provides a concise overview of the key statistical information related to the regression model that is fitted in the extracted data. It summarizes the goodness of fit of the model, the significance of predictor variables, and other relevant statistics.

Here:

Strength: A correlation coefficient of 0.765 shows a robust positive linear association between variables "Organizational Performance" and "Internal Auditor." This suggests that as values of variable "Organizational Performance" increase, values of variable "Internal Auditor" tend to elevate as well, and vice versa.

Direction: The positive sign indicates that higher values of "Organizational Performance" are associated with higher values of "Internal Auditor." In other words, there is a positive trend; when one variable increases, the other inclines to increase.

R-Square: R-squared, ranging from 0 to 1 or sometimes presented as a percentage between 0% and 100%, serves as a metric indicating the proportion of variance in the dependent variable explicable by the independent variables within the model. Essentially, it quantifies the degree to which the model elucidates the variability in the data. A higher R-squared value signals that a larger percentage of the variance is accounted for by the model. In this particular model, the R-squared value is 0.585, falling within the 0 to 1 range, showcasing the extent to which the model explains the variance in the data.

F-Change: The F-Change statistic is a tool used to determine whether a set of independent variables, as a group, has a significant effect on the dependent variable in a regression analysis. A high F-change value suggests that the group of independent variables collectively contributes significantly to explaining the variation in the dependent variable, while a low F-change value suggests the opposite. Here, in this model, the value of F-Change is 76.129 which means that there is a strong effect of independent variables on the Dependent variable (Organizational Performance).

Coefficients

Here, the value of B in the Independent Variable (IA) is 0.738 which indicates that on average, each one-unit intensified in "IA" is associated with a 0.738-unit increase in the dependent variable (OP).

Here, the standardized beta for the independent variable "IA" is 0.691. It means that for each one-standard-deviation rise in "X," the dependent variable is expected to increase by 0.6 standard deviations.

Table 9: Unstandardized Coefficients and Standardized Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta (β)		

Constant	1.768	0.362		4.885	0
IA	0.738	0.107	0.691	6.877	0
IIA	0.313	0.195	0.196	1.604	0.111
SMT	-0.176	0.199	-0.111	-0.886	0.377

Table 10: Test results of Null Hypothesis

	Sum of Squares	df	Mean Square	F
Regression	1356.549	3	452.183	76.129
Residual	962.228	162	5.94	
Total	2318.777	165		

ANOVA serves as a statistical method employed to evaluate the null hypothesis asserting that the means of multiple groups are equal, contrasting with the alternative hypothesis positing that at least one group's mean differs from the others. It is a robust tool designed to assess and compare group means, providing insights into potential variations among them

Conclusion

The primary objective of this research is to delve into the influence exerted by the internal auditor on the overall performance of an organization. Emphasizing a targeted approach, the study specifically investigates the mediating functions carried out by both the independence of the internal auditor and the support provided by the management team. This inquiry seeks to uncover nuanced insights into how these factors interplay, ultimately shaping and influencing the organizational performance landscape. A robust constructive linear relationship is indicated by a correlation coefficient of 0.765 between "Organizational Performance" and "Internal Auditor." This implies that as "Organizational Performance" values increase, there's a corresponding tendency for "Internal Auditor" values to rise. The R-squared value signifies the measure of variance in the dependent variable explicable by the independent variables. A higher R-squared, such as the 0.585 in this model, suggests that a more substantial proportion of the variance is elucidated. In this case, the model efficiently explains 58.5% of the variability in the dependent variable. Assessing the collective impact of independent variables on the dependent variable, the F-Change outcomes in a substantial value of 76.129. This indicates a robust collective effect, confirming that the set of independent variables has a noteworthy influence on the response variable in the regression analysis.

Both internal auditor independence and management team support significantly impact organizational performance. An independent internal auditor's role can more effectively identify risks and provide balanced perceptions, leading to improved controls and efficiencies. However, this impact is further amplified when the

management team collaborates with internal auditors, implements their recommendations, and looks after a culture of accountability.

Organizations that identify the importance of maintaining internal auditor independence and raise a supportive relationship with the management team are better positioned to achieve superior organizational performance. The interdependent relationship between these two factors creates a healthy foundation for effective risk management, process development, and overall excellence.

Limitations

This research focuses on assessing the impact of internal auditors on the organizational performance of two specific Pakistani companies, namely Waves Singer Pakistan Limited and Pak Elektron Limited (PEL). With a targeted sample size of 200, the study provides a detailed exploration of these companies. However, it's essential to recognize that the findings derived from this research are context-specific and may not be universally applicable to companies beyond Waves Singer Pakistan Limited and Pak Elektron Limited (PEL). Generalizing the study results to encompass a broader spectrum of companies should be approached cautiously, given the specific focus on the selected entities in this research.

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