The Criteria of Implementing and Employing the Effectiveness of Internal Auditing

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Abstract: The present study tried to point out criteria affecting implementing and employing effectiveness Internal Auditing among Iranian companies; Fuzzy AHP was employed as one of the important items regarding multi-criteria decision making. Finally, these criteria were ranked according to their importance. To this end, first of all, major criteria were classified and ranked into four main groups such as organizational, internal auditors' criterion, managerial, environmental; and then minor criterion were examined and then ranked. Regarding the results of Fuzzy AHP, organizational criterion is the most important ones and then is managerial, internal auditors' criterion, managerial and environmental. Among all minor criteria, enough professional skills, proper organizational position of internal auditing department, the quality of internal auditors reporting, to be protected by sanctions and professional ethic characteristics of internal auditing are of vital importance. These criteria primarily determine the magnitude of the benefits that the firm will generate from the application of internal auditing. Therefore, firms that gain significant benefits from internal auditing are likely to have more extensive internal auditing processes than those that gain only minor benefits.

Key words: Internal Auditing, Effectiveness, Criterion, Launching, Implementing.

INTRODUCTION

Recent corporate scandals and earnings restatements have resulted in an increased emphasis on the need for strong corporate governance to ensure financial reporting quality and the internal audit function plays a unique and critical role in corporate governance by monitoring organizational risks and helping ensure financial reporting reliability (Herdman, 2002). One of the characteristics of competition condition is existence of big organizations which accumulated great resources and managed great economical activities in one country and even in all around the world. There is no possibility of effective supervision on all of the organization activity details and reliability of financial reporting. So, one of the best and maybe most important instruments available to management for solving this problem is using internal auditors’ services. Internal auditing is consulting and reliable, independent and neutral activity which is designed for increasing organization operations value and optimizing. Its goal is helping to the organization with a systematic approach for accessing to its goals by valuing and efficiency optimizing of risk management process, organizational supervision and controlling (Albert et al., 1999).

Improving stockholders wealth, executive and operational management performance and customers and other beneficial satisfaction and giving information relating to efficiency and functionality of internal controlling systems and commercial unit function quality to management, are internal auditors responsibilities. Internal auditing makes confidence by analyzing and assessing segments functions to improve functions of unit managers in the way of organizations gains. Since internal auditing actions task is comprehensive and expanded and for their position in organization and its periodic auditing, internal auditing is a proper and qualified department for controlling and evaluating managers’ decisions in way of organization interest. Implementing and lunching of internal auditing is a good beginning point for advanced management system and so establishment of a proper viewpoint to internal auditing is one of the most important activities (Flat, 2000). For accessing to internal auditing objectives they should be a high level of performance and effectiveness in internal auditing (Anderson, 2004).

Managers should always be confident about coordination of section activities goals with organization general goals. Goals coordination is achieved when managers of every sub-division wants to access goals which are determined by senior managers. They should determine and support activities which make value added services in organization in strategic decision making. Determining and improving the effectiveness of an organization was always one apprehension of expense management. Some Iranian companies don’t apply internal auditors in an effective way, so they can not interest of its advantages. Thus regarding former researches, criteria affecting implementing and running internal auditing in Iranian companies are classified into four groups such as: organizational, managerial, environmental, internal auditors criterion are shown in table 3. Organizational criterion considers formal and informal relationships between employees, departments and managers. Managerial criterion considers the management characteristic. On the other hand, environmental criterion is related to conditions which are outside the enterprise and managers can not control them. Finally, internal auditor's criterion includes characteristics and attribute of the internal auditors. The purpose of this
research is to prioritize and rank the criteria that impress the internal auditing effectiveness. So the question of this research is:

- What is the priority of the major criteria that lead to the internal auditing effectiveness in case of Iranian companies?
- What is the priority of the minor criteria of organizational criterion that lead to the internal auditing effectiveness in case of Iranian companies?
- What is the priority of the minor criteria of managerial criterion that lead to the internal auditing effectiveness in case of Iranian companies?
- What is the priority of the minor criteria of environmental criterion that lead to the internal auditing effectiveness in case of Iranian companies?
- What is the priority of the minor criteria of internal Auditor characteristics criterion that lead to the internal auditing effectiveness in case of Iranian companies?

**Literature Review:**

As a result of the research by Hoseini (1989), it was determined that internal auditing in Iranian gas industry is not effective because of management little attention to its reports, little familiarity of handling units and not updating handling techniques. A research titled as “the causes of undevelopment and promotion techniques of internal auditing in Iran” has been done by Nikkhahazad and Ghanad (1989). The research goal is recognizing the causes of undevelopment of internal auditing and presenting proposals for development it in Iran. Hypothesis test results led to recognition 31 internal auditing causes of undevelopment and presentation 14 important proposals. According to this research the most important causes of undevelopment of internal auditing in Iran were weakness in following cases: Organizational independency in internal auditing, existence of plan for enforcing internal auditing, existence of evidence collecting guidelines for enforcing internal auditing, internal auditing neutrality in auditing of organizational different activities, level of and field of studying of internal auditors, practical qualification rate of internal auditor in independent auditing, practical qualification rate of internal auditor in internal auditing, treatment way of internal auditor, existence of standards and auditing national guidelines relating to dependency of independent auditors to internal auditors’ performance, existence of standards and internal auditing and so on.

The research done by The Institute of Internal Auditors Research Foundation (2003) which as result of these researches effective elements on internal auditing effectiveness include environmental specifications such as: employees’ talents, workers improvements techniques, management potentials, senior managers support of internal auditing, organization great familiarity of internal auditing and stimulating specification such as teamwork concept, professional training, independency, neutrality and equity, auditing techniques and relationship with independent auditors. A research results titled as “An Empirical Study on Effectiveness of Auditing for Listed Firms in Taiwan” showed that some elements including treatment way and viewpoint of managers and financial supervisors, auditors promotion way, internal auditing organizational place, function valuing performance, tasks list, auditors training and potentials, auditing operations annual programming are effective on internal auditing effectiveness (Hang and Han, 1995).

Though little rigorous evidence exists, there is good reason to believe that internal auditing may play an important role in external financial reporting. For example, previous research has shown that management’s forecasts are more biased when it is relatively difficult to detect misrepresentation (Rogers and Stocken, 2005) and management’s communications are more likely to be biased when they are not verified by a third party (Schwartz and Young, 2002). Recent audit regulation permits and even encourages external auditors to “use the work of others to a greater extent when the work is performed by sufficiently competent and objective persons (PCAOB, 2007). Also previous research demonstrates that higher quality audit committees are associated with greater internal auditor involvement, including larger budgets (Carcello, Hermanson and Raghunandan, 2005), longer meetings, increased private access and reviews of audit proposals and results (Raghunandan, Read and Rama, 2001). Abbott, Parker, Peters and Rama (2007) find that effective audit committees are more able to discern between the types and providers of outsourced internal audit services. An examination of the pressures on internal audit in recent years reveals the struggle to demonstrate that the function can add value to social satisfactory and calmness. Internal auditors should "periodically assess the ethical climate in the context of organizational culture and the tone at the top" (Reding et al., 2007).

**RESEARCH METHODOLOGY**

This research is of applied type and using Fuzzy Analytical Hierarchy Process to analyze. First of all, criteria affecting implementing and launching internal auditing were recognized then using Fuzzy Analytical Hierarchy Process (FAHP) they were ranked. Analytic Hierarchy Process (AHP) is one of the well-known Multi-criteria decision making techniques that was first proposed by Saaty (1980). Although the classical AHP includes the opinions of experts and makes a multiple criteria evaluation, it is not capable of reflecting human’s
vague thoughts. Different methods for the fuzzification of AHP have been proposed in the literature. Experts may prefer intermediate judgments rather than certain judgments. Thus the fuzzy set theory makes the comparison process more flexible and capable to explain experts’ preferences. (Kahraman, Cebeci and Ulukan, 2003)

If uncertainty (fuzziness) of human decision-making is not taken into account, the results can be misleading. A commonality among terms of expression, such as "very likely", "probably so", "not very clear" and "rather dangerous" that are often heard in daily life, is that they all contain some degree of uncertainty. Fuzzy theory thus is used to solve such kind of problems and it has been applied in a variety of fields in the last four decades. Theory of fuzzy sets has evolved in various directions and two distinct directions are: treating fuzzy sets as precisely defined mathematical objects subject to the rules of classical logic and the linguistic approach. The underlying logic of linguistic approach is that the truth-values are fuzzy sets and the rules of inference are approximate rather than exact. (Gupta, Saridis and Gaines, 1977) A triangular fuzzy number, a special case of a trapezoidal fuzzy number, is very popular in fuzzy applications. As shown in Fig. 1, the triangular fuzzy number \( \tilde{M} \) is represented by \((a,b,c)\) and the membership function is defined as:

\[
\mu_{\tilde{M}}(x) = \begin{cases} 
\frac{x-a}{b-a}, & a \leq x \leq b \\
\frac{c-x}{c-b}, & b \leq x \leq c \\
0, & \text{otherwise}
\end{cases}
\]

The strongest grade of membership is parameter \( b \), that is, \( f_M(b) = 1 \), while \( a \) and \( c \) are the lower and upper bounds. An important concept of fuzzy sets is the \( \alpha \)-cut. For a fuzzy number \( \tilde{M} \) and any number \( \alpha \in [0,1] \), the \( \alpha \)-cut, \( C_\alpha \), is the crisp set: (Klir and Yan, 1995).

\[
C_\alpha = \{ x | \mu(\tilde{M})(x) \geq \alpha \}
\]

The \( \alpha \)-cut of a fuzzy number \( \tilde{M} \) is the crisp set \( \tilde{M}_\alpha \) that contains all the elements of the universal set \( U \) whose membership grades in \( \tilde{M} \) are greater than or equal to the specified value of \( \alpha \), as:

By defining the interval of confidence at level \( a \), the triangular fuzzy number can be characterized as: (Cheng, 1996; Cheng and Mon, 1994).
The distance between two triangular fuzzy numbers can be defined by the vertex method. (Chen, 2000).

Let $\tilde{M}_1 = (a_1, b_1, c_1)$ and $\tilde{M}_2 = (a_2, b_2, c_2)$ be two triangular fuzzy numbers, the distance between them is:

$$d(\tilde{M}_1, \tilde{M}_2) = \frac{1}{3} \sqrt{[(a_1 - a_2)^2 + (b_1 - b_2)^2 + (c_1 - c_2)^2]}$$

Fuzzy analytic hierarchy process (FAHP). FAHP is used to generate the weighting of the four factors of the internal auditing effectiveness. There are six essential steps:

1. Construct the hierarchical structure with decision elements (e.g., criteria and detailed criteria). Each decision maker is asked to express relative importance of two decision elements in the same level (e.g., two criteria) by a nine-point scale. Collect the scores of pair wise comparison and form pair wise comparison matrices for each of the $K$ decision makers.

2. Analyze consistency. The priority of the elements can be compared by the computation of eigenvalues and eigenvectors:

$$A \cdot w = \lambda_{\text{max}} w$$

Where $w$ is the eigenvector, the weight vector, of matrix $R$ and $\lambda_{\text{max}}$ is the largest eigenvalue of $R$. The consistency property of the matrix is then checked to ensure the consistency of judgments in the pair wise comparison. The consistency index (CI) and consistency ratio (CR) are defined as (Saaty, 1980):

$$CI = \frac{\lambda_{\text{max}} - n}{n - 1}$$

$$CR = \frac{CI}{RI}$$

Where $n$ is the number of items being compared in the matrix and $RI$ is random index, the average consistency index of randomly generated pair wise comparison matrix of similar size, as shown in Table 1. As suggested by Saaty (1994), the upper threshold CR values are 0.05 for a 3*3 matrix, 0.08 for a 4*4 matrix and 0.10 for larger matrices. If the consistency test is not passed, the original values in the pair wise comparison matrix must be revised by the decision maker.

Table 1: Random Index (RI) (Saaty, 1985).

<table>
<thead>
<tr>
<th>N</th>
<th>15</th>
<th>14</th>
<th>13</th>
<th>12</th>
<th>11</th>
<th>10</th>
<th>9</th>
<th>8</th>
<th>7</th>
<th>6</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.59</td>
<td>1.57</td>
<td>1.56</td>
<td>1.48</td>
<td>1.51</td>
<td>1.19</td>
<td>1.45</td>
<td>1.41</td>
<td>1.32</td>
<td>1.24</td>
<td>1.12</td>
<td>0.90</td>
<td>0.58</td>
<td>RI</td>
</tr>
</tbody>
</table>

Construct fuzzy positive matrices. The scores of pair wise comparison are transformed into linguistic variables, which are represented by positive triangular fuzzy numbers listed in Table 2.

Table 2: Triangular Fuzzy numbers.

<table>
<thead>
<tr>
<th>Linguistic variables</th>
<th>Positive triangular fuzzy numbers</th>
<th>Positive reciprocal triangular fuzzy numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely Strong</td>
<td>(9,9,9)</td>
<td>(1/9,1/9,1/9)</td>
</tr>
<tr>
<td>Intermediate</td>
<td>(7,8,9)</td>
<td>(1/9,1/8,1/7)</td>
</tr>
<tr>
<td>Very Strong</td>
<td>(6,7,8)</td>
<td>(1/8,1/7,1/6)</td>
</tr>
<tr>
<td>Intermediate</td>
<td>(5,6,7)</td>
<td>(1/7,1/6,1/5)</td>
</tr>
<tr>
<td>Strong</td>
<td>(4,5,6)</td>
<td>(1/6,1/5,1/4)</td>
</tr>
<tr>
<td>Intermediate</td>
<td>(3,4,5)</td>
<td>(1/5,1/4,1/3)</td>
</tr>
<tr>
<td>Moderately Strong</td>
<td>(2,3,4)</td>
<td>(1/4,1/3,1/2)</td>
</tr>
<tr>
<td>Intermediate</td>
<td>(1,2,3)</td>
<td>(1/3,1/2,1)</td>
</tr>
<tr>
<td>Equally strong</td>
<td>(1,1,1)</td>
<td>(1,1,1)</td>
</tr>
</tbody>
</table>

According to Buckley (1985), the fuzzy positive reciprocal matrix can be defined as:

$$\tilde{R}^k = [\tilde{r}_{ij}^k]$$

Where $\tilde{R}^k$: a positive reciprocal matrix of decision maker $k$;
\( \tilde{r}_{ij} \) : relative importance between decision elements \( i \) and \( j \);
\[
\tilde{r}_{ij} = 1, \ \forall i = j \text{ and } \tilde{r}_{ij} = \frac{1}{r_{ji}}, \ \forall i \neq j, 1,2,\ldots,n
\]

Calculate fuzzy weights. Based on the Lambda-Max method proposed by Csutora and Buckley (2001), calculate the fuzzy weights of decision elements. The procedures are:

- Apply \( \alpha - cut \). Let \( \alpha = 1 \) to obtain the positive matrix of decision maker \( k \), \( \tilde{R}^+_k = \left( \tilde{r}_{ij} \right)_k \), and let \( \alpha = 0 \) to obtain the lower bound and upper bound positive matrices of decision maker \( k \), \( \tilde{R}^-_k = \left( \tilde{r}_{ij} \right)_k \). Based on the weight calculation procedure proposed in AHP, calculate weight matrix, \( \tilde{W}_k^i = (w_i)_k \), \( \tilde{W}_a^i = (w_i)_a \), and \( \tilde{W}_c^i = (w_i)_c \cdot i = 1,2,\ldots,n \).
- In order to minimize the fuzziness of the weight, two constants, \( M_a^k \) and \( M_c^k \), are chosen as follows:

\[
M_a^k = \min \left\{ \frac{W_a^i}{W_a^\alpha} \mid \alpha \leq i \leq n \right\}
\]
\[
M_c^k = \max \left\{ \frac{W_c^i}{W_c^\alpha} \mid \alpha \leq i \leq n \right\}
\]

The upper bound and lower bound of the weight are defined as:

\[
w_a^* = M_a^k \cdot w_a^i
\]
\[
w_c^* = M_c^k \cdot w_c^i
\]

The upper bound and lower bound weight matrices are:

\[
W_a^* = \left( w_a^i \right)_i, i = 1,2,\ldots,n
\]
\[
W_c^* = \left( w_c^i \right)_i, i = 1,2,\ldots,n
\]

- By combining \( W_a^* \), \( W_c^* \) and \( W_c^* \), the fuzzy weight matrix for decision maker \( k \) can be obtained and is defined as \( \tilde{W}_k^i = (w_a^i, w_c^i, w_c^i) \cdot i = 1,2,\ldots,n \).

Integrate the opinions of decision makers. Geometric average is applied to combine the fuzzy weights of decision makers.

\[
\tilde{W}_k = \left( \prod_{i=1}^{n} \tilde{W}_k^i \right)^{1/n} \forall k = 1,2,\ldots,K
\]

Where \( \tilde{W}_k \) : combined fuzzy weight of decision element \( i \) of \( K \) decision makers. \( \tilde{W}_k^i \) : Fuzzy weight of decision element \( i \) of decision maker \( k \). \( K \) : number of decision makers.

Obtain final ranking. Based on the equation proposed by Chen (2000), a closeness coefficient is defined to obtain the ranking order of the decision elements. The closeness coefficient is defined as follows:

\[
CC_i = \frac{d^{-}(\tilde{W}_k,0)}{d^{-}(\tilde{W}_k,1) + d^{-}(\tilde{W}_k,0)}, i = 1,2,\ldots,n
\]
\[
0 \leq CC_i \leq 1
\]

Where \( CC_i \) is the weight for decision element \( i \) and
\[
d^\cdot (\vec{W}_i, 0) = \frac{1}{\sqrt{3}} \left[ (\vec{W}_i^\alpha - 0)^2 + (\vec{W}_i^\beta - 0)^2 + (\vec{W}_i^\gamma - 0)^2 \right]
\]

\[
d^\star (\vec{W}_i, 0) = \frac{1}{\sqrt{3}} \left[ (\vec{W}_i^\alpha - 1)^2 + (\vec{W}_i^\beta - 1)^2 + (\vec{W}_i^\gamma - 1)^2 \right]
\]

\[d^\cdot (\vec{W}_i, 0)\] and \[d^\star (\vec{W}_i, 0)\] are the distance measurement between two fuzzy numbers.

The respondents of this research were managers, internal auditors, independent auditors, financial managers, researchers, university professors and experts of internal auditing. For gathering data needed for FAHP tables, the researchers used interviews, questionnaire and making expert work groups. After recording the answers, combining pair wise comparison matrix for each participant would be started.

Data input and analysis. Computer software packages, such as the Expert Choice Expert Choice, have been applied abundantly in solving AHP problems. The responses collected from questionnaires are input to the FAHP system and the results are analyzed by the FAHP. The pair wise comparison results of decision makers filled on the questionnaires are then input by selecting the number on the nine-point scale as is shown in table 2. Maximum eigenvalue of the matrix is calculated by Eq.5 and the consistency property of the matrix is checked by Eqs.6 and 7. If the consistency test is not passed, the questionnaire can either be revised by the decision maker or be disregarded. In this research the consistency rate is 0.0347 that is acceptable. Fuzzy positive matrices based on the input questionnaire results are generated next by Eq.8 and Eqs.9-14, are adopted next to calculate the comparison weights of decision elements. The fuzzy weights from different decision makers are finally combined by Eq.15, to generate the overall fuzzy matrix, as shown in table 3. The final priority weights and ranking are obtained by Eq.16.

RESULT AND DISCUSSION

In this study, 20 minor criteria in four major criteria that lead to the internal auditing effectiveness in case of Iranian companies were ranked and became prioritize. To answer the research question, as table 3 illustrates and regarding findings of the research, the importance of organizational criterion (0.303) is more than other criterion; then are other criterion such as internal auditor characteristics criterion (0.284), managerial criterion (0.215) and environmental criterion (0.198). Among organizational criteria, the importance of proper organizational position of internal auditing department (0.254) and the quality of internal auditors reporting (0.234) is more than other criteria. Among internal auditor characteristics criterion, the importance of enough professional skills (0.299) and professional ethic characteristics of internal auditing (0.213) is more than other criteria. Among managerial criterion, to familiar managers with internal auditing function (0.248) and having auditing committee (0.233) is more than other criteria. Among environmental criterion, having national standard for internal auditing (0.253) a national standard for corporation independent and internal auditing (0.219) is more than other criteria. Among all minor criterion, enough professional skills, proper organizational position of internal auditing department, the quality of internal auditors reporting, to be protected by sanctions and professional ethic characteristics of internal auditing are of vital importance.

There are some suggestions according to the results. It is suggested that top management of companies should support internal auditing and increase their severity in the reported cases by internal auditor, because internal audit performance leads to reinforcing internal controls regarding the organization managers’ support. The scope of internal audit activities efficiency depends on the internal audit acceptance from top management of organization. Therefore, relatively high organizational position and serious support from management is necessary for internal auditing. Consulting with management, internal auditing should determine necessities and priorities of his work and has access freely to top managers including executive directors, the board of directors and if there is any, auditing committee and report to them. Internal auditor should hold regular and planned meetings with independent auditors. This relationship also shows more independence of internal auditing and let internal auditors give unbiased ideas and judge freely so that the acceptability of their ideas can be increased. More cooperation with independent auditors, internal and independent auditors should trust each other regarding limitations from different responsibilities they have and based on particular abilities they have. Independent auditors can evaluate internal auditing to determine the rate of their reliability on their work and consider the weaknesses that internal auditors detected and reported. This leads to decreasing the cost of auditing. They should not getting the responsibilities of the tasks which do not belong to the auditor by internal auditor and showing all aspects of internal auditing and the necessity of doing these activities in the areas of financial and non-financial, managerial and operational internal controlling. Different segment of the organization should present their requests to internal auditing (in the area of internal auditing) and internal auditors should attempt...
for providing useful reports for different units. Presenting enough information about importance and function of internal auditors and its performance and responsibilities and access internal auditing segment to necessary equipments to do their responsibilities promote the internal audit effectiveness.

Table 3: Ranking major and minor criteria of internal auditing effectiveness by fuzzy AHP.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Total Weight</th>
<th>Weight of Minor Criterion</th>
<th>Minor Criteria</th>
<th>Weight of Criterion</th>
<th>Criterion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>0.0770</td>
<td>0.254</td>
<td>Proper Organizational Position</td>
<td>0.303</td>
<td>Organizational criterion (I1)</td>
</tr>
<tr>
<td>16</td>
<td>0.0379</td>
<td>0.125</td>
<td>Existence of Documented Goals</td>
<td>0.215</td>
<td>Managerial criterion (I2)</td>
</tr>
<tr>
<td>4</td>
<td>0.0645</td>
<td>0.213</td>
<td>To be Protected by Sanctions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>0.0530</td>
<td>0.175</td>
<td>Good Plan for Internal Auditing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>0.0706</td>
<td>0.233</td>
<td>The Quality of Internal Auditors Reporting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>0.0449</td>
<td>0.209</td>
<td>Internal Cods for Applied of Internal Auditing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>0.0501</td>
<td>0.233</td>
<td>Having Auditing Committee</td>
<td>0.198</td>
<td>Environmental criterion (I3)</td>
</tr>
<tr>
<td>6</td>
<td>0.0533</td>
<td>0.248</td>
<td>To Familiar Managers with Internal Auditing Function</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>0.0359</td>
<td>0.167</td>
<td>Announcing Informational Needs of Managers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>0.0307</td>
<td>0.143</td>
<td>Dealing Internal Auditor with other Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>0.0501</td>
<td>0.253</td>
<td>Having National Standard for Internal Auditing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>0.0293</td>
<td>0.148</td>
<td>To Have Internal Auditing Courses in Universities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>0.0321</td>
<td>0.162</td>
<td>Nature of the Industry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>0.0434</td>
<td>0.219</td>
<td>National Standard for corporation Independent and Internal Auditing</td>
<td>0.284</td>
<td>Internal Auditor Characteristics criterion (I5)</td>
</tr>
<tr>
<td>15</td>
<td>0.0432</td>
<td>0.218</td>
<td>Corporate Governance Characteristics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>0.0437</td>
<td>0.154</td>
<td>Education of Internal Auditors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>0.0506</td>
<td>0.178</td>
<td>Neutrality and Having no Biasness</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>0.0443</td>
<td>0.156</td>
<td>Harmony with Independent Auditors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>0.0849</td>
<td>0.299</td>
<td>Enough Professional skills</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>0.0605</td>
<td>0.213</td>
<td>Professional Ethic Characteristics of Internal Auditing</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Conclusion:**

The spirit of participation and cooperation gets regular in an organization through internal controls and internal auditing is responsible for providing independent evaluation of these controls. Also, increasing and fast development and complexity of economical entities, the pressures of shortage of resources and increasing competition in modern world cause that the necessity of implementing an effective internal controls and its evaluating and improvement has always been felt. Internal auditors deal with evaluating and consulting. They create values through helping others in all level of the organization. In the process of creating values, internal auditors' participation and cooperation is increased through understanding their tasks and the situations which lead to their effectiveness. Internal auditing as one of the basic components of internal controlling structure with internal evaluation and presenting proper suggestions can optimize using efficient organization resources to achieve its goals.

The purpose of this research is to prioritize and rank the criteria that impress the internal auditing effectiveness. To this end, first of all, major criteria were classified and ranked into four main groups such as organizational, internal auditors' criterion, managerial, environmental; and then minor criterion were examined and then ranked. According to the results, organizational criterion is the most important ones and then is managerial, internal auditors' criterion, managerial and environmental. Among all minor criteria, enough professional skills, proper organizational position of internal auditing department, the quality of internal auditors reporting, to be protected by sanctions and professional ethic characteristics of internal auditing are of vital importance. By considering these criterions any organization that have internal auditing department can increase its effectiveness and make added value of its advantages.

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