Chapter 1
Communicating in the internal audit

1.1. The essence of internal audit

The period of the Industrial Revolution in England is considered to be the beginning of the internal audit, in the form we know it today. Even then, the auditors controlled the entries in the accounting books and compared them with the source documentation. In the 19th century, internal audit reached the United States. Until the end of the 1920s, the activities of auditors focused primarily on auditing balance sheets, accounting books and other aspects closely related to the financial area of various entities. In the 1930s, at a time when the activity of external auditors auditing financial statements based on random transactions spread, many companies changed their expectations towards internal auditors. The creation of internal audit departments began, and they were expected to work closely with external auditors in auditing financial statements [Kent, 1957; Adalberg, 1975; Winiarska, 2019].

The modern form of the organization of internal audit began to take shape starting in 1941. Then, in the United States, the Institute of Internal Auditors (hereinafter IIA) was established. The aim of the organization, gathering auditors in its circles, was to professionalize internal audit as a separate discipline. The scope of activities of internal auditors was then clearly extended – from the financial area to all aspects of the organization's activities [Winiarska, 2019: pp. 16-17].

One of the first definitions of internal audit, which is characterized by a comprehensive approach to audit activities and fully reflects the essence of internal audit, was formulated by Robert Mautz, Peter Tiessen and Robert Colson. The authors define internal audit as "a service for senior management and other interested persons, which includes: (i) monitoring of management control systems, (ii) predicting, identifying and estimating risks that may threaten the assets and activities of the enterprise (organization), (iii) identifying current and potential gaps in control systems and existing risks, and (iv) making recommendations on how to improve control systems, risk relation-

ships and achieving goals by the company (organization)" [Mautz, Tiessen, Colson, 1984]. It is worth noting that although this definition was formulated in the early 1980s, its content is also relevant in the 21st century.

In the definition of Mautz, Tiessen and Colson, the focuses is placed on the types of activities undertaken by internal auditors and on their areas of operation. However, it does not specify the features that should characterize the activity of the internal audit. When analyzing the literature on the discussed topic, it can be concluded that there are two fundamental features of these definitions formulated at different times that come to the forefront. They are assigned to the activities of internal audit: independence and objectivity [Buttery, Simpson, 1986; Basu, 2009; Saunders, 2002, Przybylska 2011]. These features should be considered necessary in the performance of the profession of internal auditor and their importance is also emphasized in the latest guidelines and standards addressed to internal auditors, which will be developed further in this chapter.

According to the latest version of the International Standards for the Professional Practice of Internal Audit issued by the Institute of Internal Auditors in 2016, internal audit is an independent and objective activity aimed at adding value and improving the operational activity of the organization. It is based on a systematic and orderly evaluation of the processes: risk management, control and organizational governance, and contributes to the improvement of their operation. It helps the organization achieve its goals by providing assurance about the effectiveness of these processes, as well as through consulting [Definition of internal audit (...), translation IIA Poland, 2016].

According to the definition of internal audit, this activity supports the organization in achieving the set goals through systematic and consistent activities aimed at assessing and improving the effectiveness of risk management, as well as enabling the increased effectiveness of the control system and organization management processes. Again, the above-mentioned definitions show that the features that distinguish internal audit are, above all, independence and objectivity. Independence means there are no circumstances that could compromise the impartial performance of duties. Objectivism, on the other hand, is an impartial intellectual attitude that allows internal auditors to perform engagements with full faith in the results of their work and avoid any deviation in quality.

It is clear from the definition of internal audit that its role is to improve the entity's performance by assisting management in achieving its objectives. Internal audit may

cover every area of the unit's operation in which the internal auditor has identified the possibility of risk.

1.2. **Qualifications and competencies of a professional internal auditor**

Professional qualifications are the sum of knowledge and skills that internal auditors acquire throughout their lives and use when performing their professional duties. Thanks to the qualifications gained over the years, the auditor becomes an expert in specific fields. Qualifications are usually confirmed by various types of diplomas and certificates obtained after completing various stages of education, trainings and courses. The confirmation of the possession of certain qualifications are also documents making the professional achievements real. The qualifications therefore include the internal auditor's knowledge, education and experience.

Working as an internal auditor can cover both the private and public sectors. In the private sector, unlike in the public sector, there are no specific regulations governing the qualifications required for the job. The position of the internal auditor is extensively regulated in the IIA's International Standards for the Professional Practice of Internal Auditing. The paths leading one to become a profesional internal auditor, just like the internal audit itself, have evolved over the years. The requirements for obtaining the qualifications of an internal auditor were changed, and new opportunities appeared. The pursuit of this profession requires meeting a number of conditions, not only formal, but also ethical. These conditions are specified, inter alia, in the guidelines that must be met in order to obtain one of the international certificates entitling to perform the duties of an internal auditor.

Acquiring the right to work in internal audit by obtaining one of the international certificates is preceded by passing the relevant international exams, which check the level of knowledge acquired by the candidate, enabling the proper performance of the duties of an internal auditor. In the case of international certificates, the requirement of a good criminal record and two years of practice in audit or control is also mandatory. The obtained certificates are also valuable in the international context, authorizing them to work throughout the EU.

On the other hand, professional competencies are cognitive and individual abilities of a given person, which determine the predisposition to perform the duties of an inter-

nal audit. The characteristics of an internal auditor have been defined in the ISO 19011 standard, and include:

- ethicality,
- openness, flexibility,
- the ability to apply the principles of diplomacy,
- persistence, determination,
- independence.

In addition to personality traits, important are also skills related to the tasks performed, such as the ability to plan work, communication skills, the ability to obtain, collect, verify and elaborate specific information, as well as being able to draw conclusions, possessing knowledge of the random sampling technique, confidentiality, and the ability to prepare concise, transparent reports [PN-EN ISO 19011: 2018-08].

Since the end of the 20th century, more attention has been given to the growing importance of soft skills in the internal auditor's profession, which is related to the changing expectations regarding the role of internal auditors. Senior management is increasingly looking for internal audit employees who will not only perform scheduled audit tasks, but will also serve as strategic advisers for a given entity. The increasing importance of soft skills has causes the increasing importance of features traditionally considered feminine, which is a premise for considering the importance of gender in the audit [Zalata, Tauringana, & Tingbani, 2018]. In light of some studies, we can observe the advantage women possesses when performing functions related to internal audit [Ud Din et al., 2020].

Professional qualifications and competencies necessary for the effective performance of internal audit have been defined, among others, in professional standards and guidelines addressed to internal auditors. The Internal Audit Competence Framework, developed by the Institute of Internal Auditors (Figure 1.1) is considered the most important document in this respect.

In "The Internal Audit Competency Framework" [The Institute of Internal Auditors, 2013] the "technical" and personal competencies that were deemed necessary to exercise the profession an internal auditor have been defined. Personal skills include the ability to communicate effectively, which has been recognized as essential for both internal audit managers and members of audit teams.
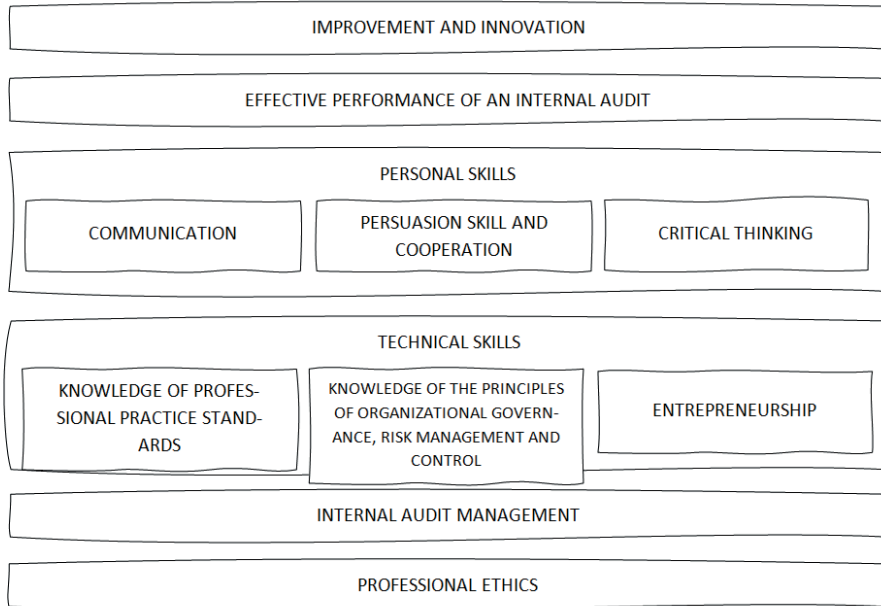
Figure 1.1. The Internal Audit Competence Framework of the Institute of Internal Auditors
Source: own study based on [The Institute of Internal Auditors, 2013].

Taking into account the subject of this monograph, detailed guidelines in the area of communication addressed to internal auditors deserve attention. According to these guidelines, internal auditors, when performing their work, by selecting appropriate methods and means of communication, are to build an atmosphere of openness and trust. Through communication, each internal auditor is to show respect to other people (including the audited) and adapt messages to the needs of recipients. As recommended, the internal auditor is to express his/her ideas clearly and confidently. This is achieved by the appropriate selection of forms of communication, including the ability to interpret body language, which improves communication. In the guidelines addressed to internal auditors, there is also focus on the linguistic correctness of statements (oral and written).

Every internal auditor, in order to perform their duties effectively, must listen actively, ask questions if necessary, and check their own understanding of the content they are hearing. In conversations with the auditors, you should also ask recipients for feedback in order to be able to assess the effectiveness of communication.

The Institute of Internal Auditors also includes recommendations for the formulation and communication of audit findings. They point out that these findings and their impact on the organization should be presented in a professional and confident manner. The use of visuals is recommended when presenting process findings or other complex information. All information provided by internal auditors should be delivered to recipients in an orderly manner that enables them to understand it and gives them the opportunity to learn and develop [The Institute of Internal Auditors, 2013].

It is noted that the skills necessary for effective communication are common to all internal auditors, regardless of their place of employment and function. However, these requirements will increase with seniority. This is due to many factors, some of which include the fact that:

- the processed information becomes more complex,
- available sources of information are becoming more and more numerous,
- the strategic importance of the messages transmitted is increasing,
- audiences are more demanding and more diverse.

Attempts to define the catalog of competencies and personality traits appropriate to internal auditors are also evident in the literature on the subject and many scientific studies. Kiziukiewicz [2013] mentions meticulousness, reliability, inquisitiveness, perseverance, the ability to think creatively and independently and objectively assess the situation among the personality traits that an internal auditor should distinguish themselves by. These features predispose the auditor to properly perform audit tasks. On the other hand, communicativeness, a sense of tact, respect for other people, as well as mental resistance, especially to pressure, are features that relate to interpersonal relationships, which are also important in the work environment. Equally essential is the ability of the auditor to adapt to the changing environment and the ease with which they acquire knowledge, both theoretical and practical.

Chambers and McDonald [2013] point out that with the development of internal audit, the expectations regarding the qualifications and competencies (called by the authors as attributes) of internal auditors also change. Technical skills remain absolutely essential, but are no longer sufficient on their own. An effective "internal auditor of the future" must possess a wide range of non-technical attributes in addition to technical skills. The authors conducted research among internal audit managers around the world, looking for answers to the most desirable and commonly sought characteristics that in-

ternal auditors should possess. Figure 1.2 presents the seven most desirable attributes of an effective internal auditor identified by Chambers and McDonald.

Chambers and McDonald draw attention to the fact that although effective communication has long been listed among the most desired characteristics of an internal auditor, the role of this communication is changing rapidly. This is mainly due to the emergence of social media and its impact on the auditor's work. The authors note that effective communication skills extend beyond written reports and verbal communication skills. Chief audit managers indicate that conducting an audit requires continuous and two-way (i.e., speaking and listening) communication, both formal and informal.
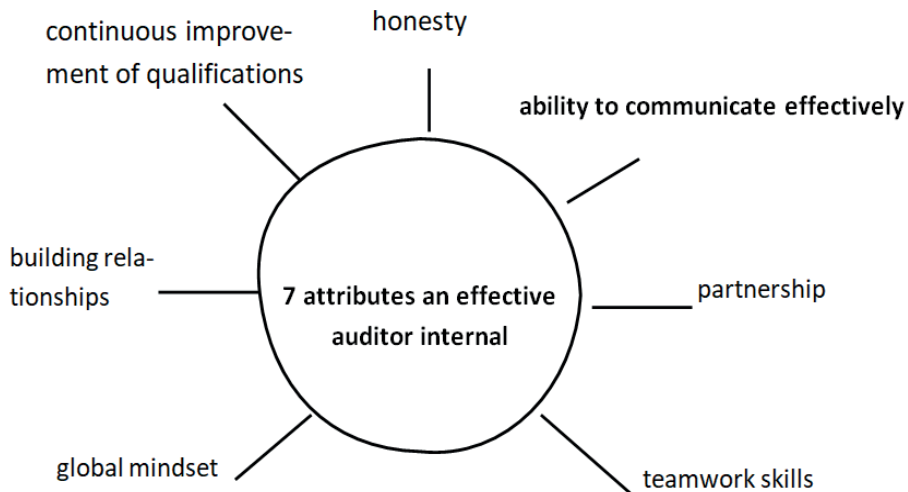

Figure 1.2. The attributes of an effective internal auditor
Source: own study based on [Chambers, McDonald, 2013].

The respondents also critically assessed the written communication used. They found that very few people pay attention to records other than the audit report, which is often the only means of written communication. At the same time, it is expected that the content of the reports will take the form of short messages and direct information, characteristic of the aforementioned social media.

Comprehensive, international research on competencies that are desirable for an internal auditor was conducted, among others, in 2010 by Bailey [2011]. The survey was conducted among internal auditors (divided into managers of the internal audit function and members of audit teams) as well as managers and management staff, who are the main recipient of audit services. These studies show that the five key competencies of internal audit should be included:

1) communication skills,

2) the ability to recognize and solve problems,

3) keeping up to date with changes in legal regulations and professional standards,

4) understanding the essence of business, which is the basis for identifying emerging problems related to risk and control systems, and

5) risk management, both in the context of the entity's operational activity and for planning purposes in audit activities.

At the same time, communication skills were highly rated by both the surveyed internal auditors and the management staff using the services of auditors. Interestingly, communication skills are the highest rated general competency and the third most important behavioral skill in Bailey's research. Conversely, conflict resolution, negotiation skills, and the ability to promote the value of the internal audit are important specialized communication skills for internal auditors that rank highly in the survey. Table 1.1 presents general and specialized competencies by regions of the world.

Regardless of the region in which internal auditors perform their duties, communication skills were assessed as very important in conducting internal audit by the vast majority of respondents. The highest rate in this regard was recorded in Africa (94.2%), and the lowest in Asia Pacific (77.1%), with the average for all survey participants at 85,3%. Table 1.2 presents general and specialized competencies by economic sector.

The situation is similar in the breakdown of responses by sectors of the economy. Auditors from various sectors generally put communication skills first. The highest ratio in this area was recorded among internal auditors employed in the financial and public sectors (86.7%). It is also worth noting that communication skills were put in the first place by both the internal auditors themselves and the recipients of audit services – management staff. Bailey [2011] notes that communication skills were considered the highest overall competency in both previous surveys carried out in 2006 and in 2010.

A high ranking of these skills, constant over time and independent of the region and professional position, demonstrates the lasting importance of the continuous development of communication skills at all stages of the professional career.

Table 1.1. The importance of the competencies of internal auditors by regions of the world (assessed as "very important") in the light of the research results from 2010 (in%)

Region	Africa	Asia Pacific	Europe and Central Asia	Latin America	Near East	United States and Canada	Western Europe	Others	Average
The ability to communicate	**94.2**	**77.1**	**81.6**	**88.2**	**83.0**	**93.0**	**81.3**	**79.8**	**85.3**
Ability to define and solve problems	88.7	76.1	80.5	83.6	77.8	86.4	76.0	79.6	81.1
Ability to promote the value of internal audit	87.0	61.9	60.1	82.9	79.2	66.6	59.4	66.7	67.1
Keeping up to date with changes in legal regulations and professional standards	86.0	56.7	59.8	84.9	72.7	67.5	57.5	67.6	66.2
Organizational skills	80.2	51.7	53.7	71.5	67.5	78.1	54.9	57.8	64.7
Conflict resolution/negotiation skills	69.6	54.8	55.8	71.2	62.4	56.2	49.0	59.8	57.3

Source: own study based on [Bailey, 2011, p. 49].

A 2015 study by the IIA Research Foundation found that the personal skills of internal auditors, such as effective communication, persuasion and collaboration skills, and critical thinking, are key to ensuring that information, observations and recommendations made by internal auditors are on the basis of technical knowledge, have an appropriate impact on the organization. Written and oral communication and listening skills are important for successful interactions with different departments across the organization as well as with external parties such as external auditors. It is also emphasized that for internal auditors, especially those managing the internal audit function, mastering good communication is essential for effective cooperation within one's own team [Rose, 2015].

Table 1.2. The importance of the competencies of internal auditors
by sectors in the economy (assessed as "very important")
in light of the results of the 2010 research (in %)

Sector	Financial sector	Industry	Public sector	Agriculture	Services	Transport	Wholesale and retail trade	Others	Average
The ability to communicate	**86.7**	**80.8**	**86.7**	**84.2**	**85.6**	**86.1**	**83.6**	**85.3**	**85.3**
Ability to define and solve problems	83.3	77.7	78.9	81.0	81.1	82.3	81.8	79.9	81.1
Ability to promote the value of internal audit	67.1.	62.6	66.3	73.7	67.2	69.1	65.3	69.7	67.1
Keeping up to date with changes in legal regulations and professional standards	71.3	55.3	65.8	65.5	68.3	65.7	58.4	67.8	66.2
Organizational skills	65.7	58.3	65.5	62.2	68.4	63.2	62.9	68.4	64.7
Conflict resolution/negotiation skills	60.1	54.2	53.6	59.7	57.0	56.2	56.5	58.7	57.3

Source: own study based on [Bailey, 2011, p. 70].

Taking into account the fact that communication skills in the internal audit are indicated in many studies as the most important or one of the most important for the effective performance of internal audit, self-assessment of these skills by internal auditors seems to be an interesting issue. A valuable summary in this area is presented in Chart 1.1. The largest number of internal auditors assessed their communication competencies at level 4 – 38%. The second most important group (28%) were auditors who found their communication skills to be excellent (5 – expert). The group of auditors assessing themselves in the discussed scope at an average level (3 – competent) had a slightly smaller share (26%). On the other hand, 5% of the surveyed internal auditors assessed their communication competencies at level 2 (trained), and the smallest share (2%) were at level 1 (novice).

Chart 1.1. Self-assessment of the competencies of internal auditors
in light of the 2015 research

Source: own study based on [Rose, 2015 p. 9].

It is worth adding that the increase in the self-assessment of practically all assessed competencies of internal auditors was influenced by such factors as age, seniority, and the number of hours of training. Higher average grades were also recorded in the group of auditors holding international certificates (CIA and others) than in the group of non-certified auditors [Rose, 2015].

It should be noted that communication skills, listed as one of the key competencies necessary for the effective conduct of internal audit, obtained one of the top positions in the ranking of self-assessment of competencies by internal auditors. On the other hand, obtaining an average mark of 3.84 may indicate the need for continuous improvement of these skills.

Witzany [2018] also notes in his research on the functioning of internal audit in the United States that for 98% of the management staff participating in the study, the auditors' ability to communicate with the environment is crucial for the effective conduct of audit activities. Performing the work of an internal auditor implies the need to build relationships in the organization, and requires active, careful listening and respecting var-

ious points of view. The author, who is an active internal auditor herself, emphasizes that internal auditors should use both formal and informal communication channels in communicating with the audited and management staff. The ability to communicate effectively is also one of the key criteria when hiring new internal auditors for the audit team. This opinion was expressed in the research by 56% of internal audit managers subject to the surveys. Only the ability to think analytically was higher in the ranking (76%).

It is also worth quoting the results of the 2019 research conducted among people managing internal audits. The respondents were to make a self-assessment and indicate the areas of personal skills that they would like to improve in the near future [Protiviti, 2019]. Skills they believe need improvement and are critical to the successful performance of an internal audit include:

- public speaking,
- developing relations with the management staff (outside the audit committee),
- developing external contacts,
- the ability to convince/persuade,
- mastering the use of new technologies,
- negotiation skills, coping with confrontation (conflict).

Among the seven listed skills, only one is "technical", and the remaining ones are related to the area of effective communication in various situations.

Uwaleke and Ubaka [2016] pay attention to the factors that will determine the effectiveness of the communication process in an internal audit. The authors mention the ability to relate to auditors in various situations, the ability to focus on and analyze key information quickly, and the ability to actively listen and identify facts as highly useful personal skills, if not essential in the work of an internal auditor. Conclusions of a similar nature were made after scientific research also carried out in other countries [Gurama et al., 2019; Narkchai and Fadzil, 2017]. The view that exceptional communication skills are among the competencies necessary for internal auditors was also expressed by Smith [2005], Sawyer et al. [2003], Loss [2003].

The presented review of the literature on the competencies and personality traits that an internal auditor should be characterized by shows that the authors focus primarily on determining the positive features that are desired in the work of an internal auditor. On the other hand, Salerno-Kochan [2006] also made an attempt to identify negative features that make it difficult or even impossible to work in this profession. Among these

features, the author lists: excessive talkativeness, shyness, conflict, meticulousness, credulity, and a tendency to instruct and demonstrate power. It is worth noting that all these features will significantly affect the process of communication of the internal auditor with the environment.

1.3. The role of communication in internal auditand problems in communication

The term "communicating" is derived from the Latin verb *commu-nico, communicare*, and means to convey messages, consult, connect, make common. The term "interpersonal communication" is associated with the process of communication between people and has its roots in the work of the mathematician Claude Shannon and the cyberneticist Warren Weaver [1949]. The publication of these authors presents a model of signal transmission in telecommunications systems. This diagram is shown in Figure 1.3.
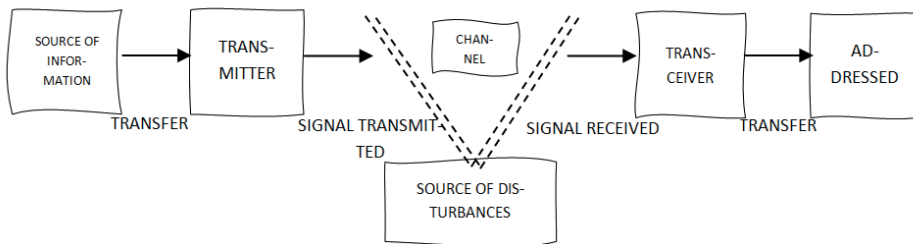

Figure 1.3. Shannon and Weaver signal transmission model
Source: compiled on the basis of [Shannon and Weaver, 1949, p. 7].

This model was quickly adapted to describe interpersonal communication. The word transmitter was changed sender and transceiver to receiver (Figure 1.4). In this sense, communication is therefore the flow of information from the sender to the recipient [Augustynek 2008]. Research based on the Shannon and Weaver model was conducted, among others, by Krippendorff. The researcher considers Shannon and Weaver's mathematical model of signal transmission in the context of communication between people, including the digitization of some elements of the communication process [Krippendorff, 2009].
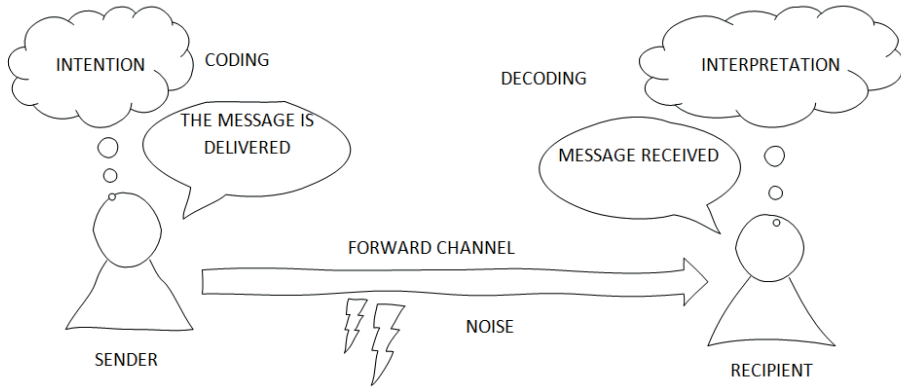
Figure 1.4. Modified model of Shannon and Weaver

Source: own study.

As Augustynek [2008] notes, understanding communication as the flow of information from the sender to the recipient describes the communication of computers for which words and their sequences are unambiguous. For people, words and their sequences mean different things. Differences in the interpretation of the same statement by several people may result from having individual experiences that affect our way of thinking and understanding speech, and the message itself can take place in completely different situations.

Considering the above, "interpersonal communication is a psychological process by which an individual transmits and receives information during contacts with others. We transmit specific information to each other through speech, facial expressions, pantomime, and voice intonation" [Augustynek, 2008]. These issues are going to be discussed in more detail in the second chapter of this monograph.

In the process of transmitting a message, both the sender and the recipient may be disrupted. There may be various reasons for this. This phenomenon is called interpersonal communication noise. We can distinguish between physical noise (noise, too great of a distance) and psychological noise – for example, fatigue, attention deficit disorder, disadvantages of sensory analyzers [Augustynek, 2008]. It is worth quoting the "7C" rule of effective communication formulated by Cutlip and Center [1953]. According to this rule, communication must be:

- complete – the sender of the message should convey all the facts required by

the recipients, they must also take into account the recipient's attitude and properly convey the message,

- concise – the message should be expressed in as few words as possible, but without forgetting about its completeness,
- considerate – the sender must take into account the recipients, i.e. their points of view, origin, way of thinking, emotions, problems, level of education, etc., and treat them with respect,
- clear – means focusing on one goal of the message, avoid trying to achieve too many goals at once,
- concrete – a specific message is detailed and clear, not fuzzy and general, specificity strengthens self-confidence,
- courteous – the message should be honest, polite, reflective and enthusiastic, it should express the sender's respect for the recipient,
- correct – the message has no grammatical errors.

The communication process in an organization can take the form of vertical or horizontal communication. Differentiating these forms of communication allows us to define the sender's expectations and properly define the required skills. Vertical communication can take the "up" direction (from employee to supervisor) or "down" (from supervisor to employee). It usually takes the form of formal messages flowing between employees and their superiors. "Upward" communication covers three aspects in particular: information transfer, information receival, and relationship management. In the case of providing information, the most common ones are reporting (reporting on completed tasks), suggestions for solving a problem or expressing needs related to specific tasks. The most important skill in this area is to be concise and specific. When accepting information in the form of commands, instructions, evaluations and opinions (positive and negative), the ability to listen is a key skill, but also to be assertive in accepting criticism and praise. The third area is taking care of relationships. In this area, the most important skill is the ability to take the perspective of the other party, show attention and respect, openness in sharing information important for further cooperation and skillful feedback.

Downstream communication involves the two-way communication between the superior and the subordinate, from the superior's perspective. There are also three typical communication situations – transmitting information, receiving information and caring for relationships, but they are considered from the point of view of the superior.

The area of information communication covers a number of important skills related to people management. From the point of view of communication, the most important is the ability to clearly and specifically express thoughts and give clear instructions. Within this area, assigning tasks, discussing problems, making decisions (including the unpopular ones), motivating, evaluating and providing feedback. In the area of receiving information, the most important skill of a superior is careful listening, encouraging honesty and openness, and critical listening – looking for motives, justifications and examples confirming the statements of the subordinate. Taking care of relationships means, above all, respecting boundaries and expressing understanding for the perspective of the subordinate – even if we make a decision that is unfavorable from his/her point of view. If possible, the reasons for the decisions made should be explained, especially in the case of unpopular decisions. Caring for relationships also includes keeping contracts and meeting obligations. Both behaviors build mutual trust [Serafin, 2013].

Horizontal communication takes place between members of the same group or employees performing functions at the same level of the organization. This communication can be formal and informal. It involves the transmission of messages between members of the organization holding equal positions. The most common tasks in the area of horizontal communication are coordination of activities, consisting in the division of tasks and determining the methods of communication and accounting for their performance. It is also important to solve problems in the field of cooperation between departments or teams, including presenting various positions and interests, expressing and adopting opinions and searching for solutions. The most important skills in this area are building cooperation relationships, studying the motives and interests behind specific positions or attitudes, listening carefully and understanding the perspective of the other party, and skillful persuasion. Assertive skills are important from the point of view of cooperation – respecting one's own and other people's rights, using the language of opinions, not evaluations, and the ability to rejecting and accept refusals [Serafin, 2013]. Figure 1.5 shows vertical and horizontal communication within an organization, including internal audit.

The vertical communication that internal auditors deal with in an organization takes place in two types of relationship. The first type concerns communication between auditors and their immediate supervisor, head of the organization, management board and management staff. The main, but not the only subject of the communica-

tion process in this case will be the transfer of findings and recommendations from the conducted audits.
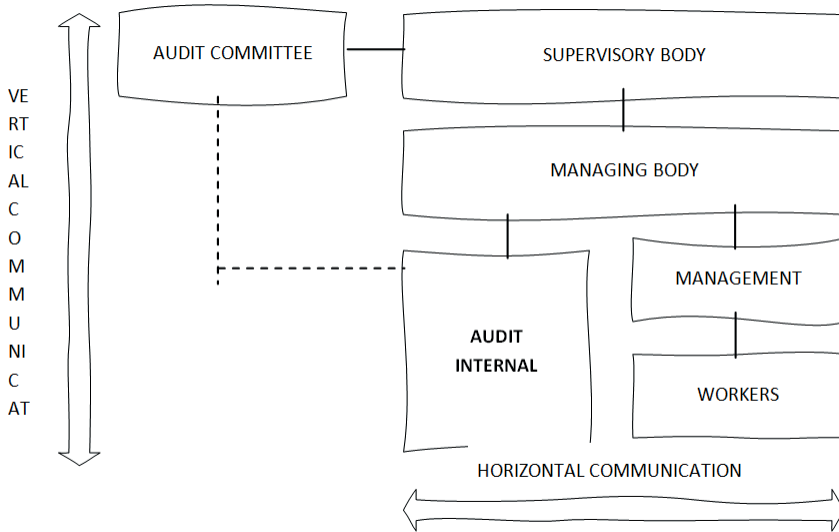

Figure 1.5. Vertical and horizontal communication in the organization

Source: own study.

Also, we mustn't forget that, in addition to assurance engagements, internal auditors perform various types of consulting engagements within an organization, which may take the form of formal and informal engagements. If management is the recipient of the internal auditor's consulting services, there will also be vertical communication in the internal audit. The key skills of the internal author in vertical communication, in particular in the "upward" direction, are brevity and clarity in communicating findings, as well as the ability to convince to the solutions and proposals developed. We must remember that the decision to implement specific solutions lies with the management staff of the organization, not with the internal auditor, but the appropriate presentation of recommendations gives a good chance for their actual implementation within the set time limit. Communication efficiency can also significantly increase the importance of audit as a form of alleviating tensions between managers and company owners, a mathematical model of this significance was created by Xu & Akther [Xu & Akther 2019].

The second type of relationship, in which there will be vertical communication in the internal audit, will occur in organizations whose organizational structure has a separate internal audit unit and a team of internal auditors. In this case, vertical communication will occur between the chief audit executive and the rest of the audit team. It will include, inter alia, supervising the work of internal auditors, coordinating and allocating tasks to be performed, accepting reports on tasks performed, but also consulting, motivating, training, and professional development of the entire audit team. In turn, communication skills within the team influence its results [Haron & Jantan 2005].

Horizontal communication in internal audit also occurs in two situations. In all organizations, it will occur in the relationship between internal auditors and the audited. The key aspect in this case is building the right relationship. With their demeanor, internal auditors should encourage the audited to maintain contact and conversation with them. They should be perceived as advisers, people supporting the organization in achieving its goals at all levels of management. Such relationships can only be developed under conditions of mutual respect and trust. Therefore, one should avoid self-exaltation, non-constructive criticism and judgment. Active listening and the ability to read non-verbal signals are also an inseparable element of building a proper relationship with the audited.

In organizations where internal audit units have been separated (taking the form of departments, offices, sections, etc.) and a team of internal auditors is employed, horizontal communication will also take place between internal auditors and members of this team. In horizontal communication, there will be a number of informal communication channels, developed and characteristic of each team. The quality of this communication determines the effectiveness of the audit [Eulerich, Henseler & Köhler, 2017]. The main goal of horizontal communication between internal auditors seems to be mutual support in the performance of professional duties, advice, development of solutions, as well as the flow of knowledge favoring the professional development of individual team members. Competencies in this area remain a priority even when the number of auditors has significantly increased in a given country [Coetzee, Fourie & Burnaby 2015]. It is also influenced by the fact that, in light of the research, communication between auditors and financial directors is often unofficial, though professional [Compernolle 2018].
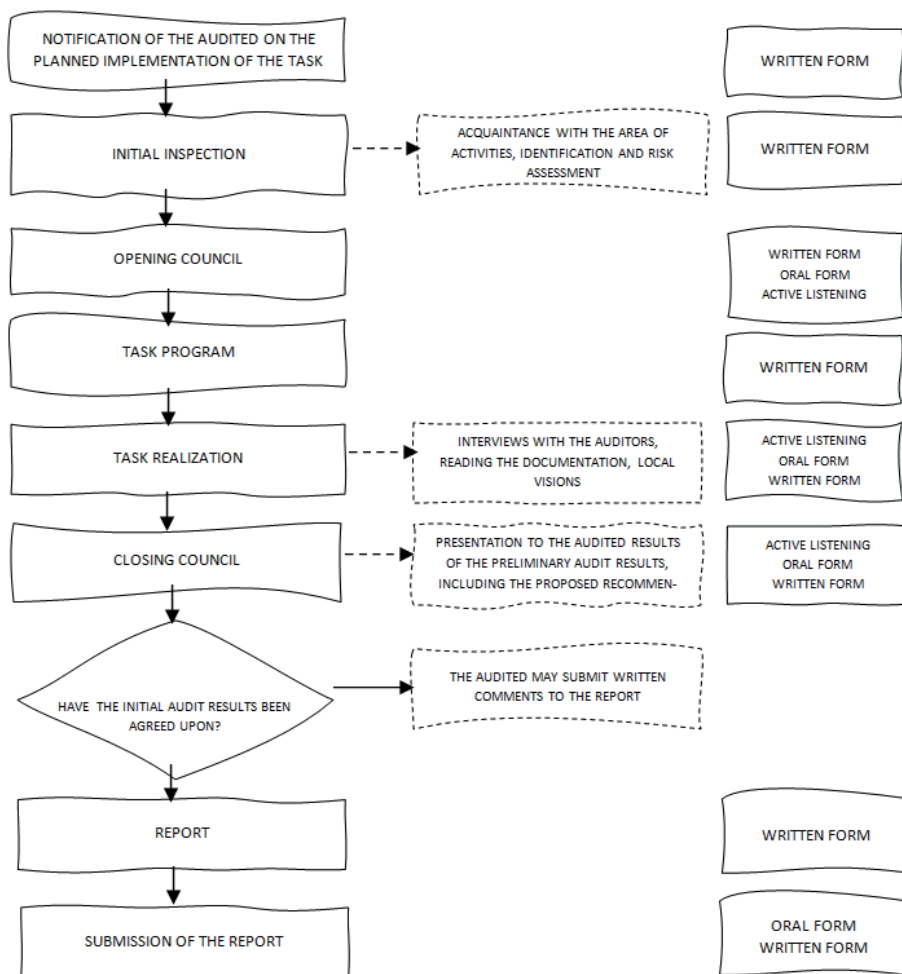
Figure 1.6. Forms of communication in the internal audit process

Source: own study.

In the internal audit process, at its various stages, three forms of communication can be used: active listening, oral, and written, as shown in Figure 1.6. The forms of communication strictly depend on the stage of the internal audit process. Each audit task begins with notifying the audited of the planned completion of the audit task. The obligatory form in this case is the written form, which is obligatory. The notification is formal. It is good practice to already conduct a short interview at this stage of the assignment, but in practice not all auditors use this solution.

The next step in the internal audit process is the initial review. This is the stage performed by the auditor (or team of auditors) performing the audit engagement. During the initial review, the auditors familiarize themselves with the documentation and legal acts relating to the audited area, define the purpose of the audited activity, and identify and assess the risk. Communication with auditors is very limited and is mostly in writing. Rather, it is a phase of the auditor's own work which prepares them for the performance of the audit task.

The opening meeting is an extremely important step in initiating the actual activities of the internal auditor. During the opening meeting, the auditors meet with the audited and present the purpose of the internal audit, discuss the organizational assumptions of the planned audit task and agree on the schedule of activities to avoid disruptions in the work of the audited entity during the audit. The opening meeting is also often the first meeting between the audited and the auditors. It is during the meeting that auditors can effectively start building appropriate relationships with the audited; dispel their fears, answer any questions that arise, and clear up any doubts that arise. Active listening and written form will therefore be a necessary form of communication. The ability to read non-verbal signals will be very helpful. Written form will occur at this stage, but its importance is marginal. In fact, it is limited to the preparation of the minutes (notes) of the opening conference held.

After the opening deliberation, the auditor develops an engagement program. It is a formalized, written document that is included in the audit file. At this stage, communication with the audited does not occur or occurs sporadically.

The performance of the audit task is the main phase of the entire internal audit process. Auditors may use very different audit methods and techniques at this stage, depending on the nature of the engagement, the nature of the area in which the engagement is conducted, the organization in which the audit is taking place, and many other factors. However, regardless of the means chosen, communication with the auditees is always the most important axis of all other activities. The course of the entire audit task may depend on the quality of the communication process and the degree of its formalization, but also the effectiveness of the internal auditor's actions. Active listening, the ability to ask questions, reading non-verbal signals, and maintaining an atmosphere of mutual respect and trust are key at this stage. Sometimes, however, the relationship with the audited may take a very official and formal format. In such cases, the written form becomes the primary form of communication.

The next stage of the internal audit process is a closing meeting, during which the auditor presents to the auditors the preliminary audit results and proposed recommendations. The dominant form of communication in this case will once again be oral and active listening.. Considering the type of content provided by the internal auditor, an important skill will be assertiveness, the ability to convince, coping with stress, but also the ability to negotiate and reach a compromise. The supplementary form of communication at this stage will be in writing, which will take the form of a protocol (note) drawn up from the closing meeting.

Findings from the performed audit task and recommendations take the form of a written report. Certain requirements for an internal audit report result from the guidelines contained in the internal audit standards. According to them, the audit report must be accurate, i.e. free from errors and distortions, and faithfully reflect the facts. The document must also be objective, containing reliable and unbiased information as a result of an unbiased assessment. The report should be logical and contain easy-to-understand content. It is recommended to avoid technical, specialized language. The information should be concise and constructive and prepared in a timely manner enabling the management to take appropriate corrective actions [Institute of Internal Auditors IIA Poland, 2016]. On the other hand, the literature on the subject points out that some internal audit reports are too long, especially in the age of social media, where short content with graphics predominates. Therefore, internal auditors are encouraged to present audit findings and the results of complex analyzes in a visual format [Chambers and McDonald, 2013].

The final stage of the discussed process is the delivery of the final audit results in the form of a report. Practice shows that various variants are possible here. The report may only be submitted in writing, without re-meeting with management and auditors. Another option is to submit the results developed in writing in the form of a report during a meeting with the management or a wider group set by the management. In the latter case, the oral form of communication will prevail. The quality of the presented report may be one of the key features determining the fulfillment of its basic functions by audit and financial control, as evidenced by the research carried out on several hundred companies listed on the Bucharest stock exchange by Grosu, Robu and Istrate [2020]. The theoretical framework of this meaning was described by Endaya & Hanefah [2013].

Various kinds of problems can arise in the communication process. Taking into account the source criterion, the problems can be divided into problems on the recipient side, problems on the sender's side, and external problems.

Examples of problems which may lie with the recipients are their scope of competence in receiving information: lack of knowledge, lack of knowledge of the language, understanding the broader context of information. It is also the attitude of the audience – their prejudices, the assumption that the sender is biased and the information itself is worthless – also significantly influences the reception of information [Weissman, 2007].

The problems on the part of the sender may include issues of technical competence, such as quiet voice, stuttering, substantive competence, for example, illogical and disordered statements, inability to encourage participation, up to competencies where the scope of the statement is clearly not adapted to the audience. Such a presentation may prompt the audience to ask questions, which often adds even more confusion for the speaker [Frankfort & Fanning, 2005].

External factors can be elements of the environment, for example noise, cramped room, inadequate lighting, temperature, influencing the perception of information [Lunden and Rossel, 2003]. Most of the barriers that have been listed here can be removed or at least their negative impact can be eliminated [Weismann, 2007].