ASSESSMENT OF FACTORS AFFECTING THE QUALITY OF INTERNAL AUDIT IN JOINT-STOCK COMPANIES

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Abstract. In the modern system of corporate governance, the institution of internal audit plays an important role in ensuring financial discipline, managing risks, and improving the effectiveness of internal control systems in joint-stock companies. The results of the study revealed that the main factors influencing internal audit quality can be classified into institutional, organizational, human capital, technological, and regulatory-legal factors. Based on these factors, a comprehensive model for evaluating the quality of internal audit was proposed.

Keywords: internal audit, audit quality, joint-stock company, corporate governance, audit efficiency, audit factors.

The development of corporate governance systems in the global economy requires the improvement of control mechanisms in joint-stock companies. In particular, the institution of internal audit plays a significant role in ensuring the efficient use of financial resources, enhancing transparency in investment processes, and managing corporate risks. Internal audit is interpreted as an independent and objective activity aimed at evaluating the internal control system within an organization, identifying risks, and improving the effectiveness of management decisions.

In modern economic conditions, internal audit is not only a control mechanism but also acts as a strategic management instrument that contributes to improving the

corporate governance system. The quality of internal audit in joint-stock companies is directly related to the effectiveness of corporate governance, investment attractiveness, and financial stability. Therefore, assessing the quality of internal audit and the factors influencing it on a scientific basis is considered an important and relevant issue.

In recent years, a number of international initiatives aimed at improving audit quality have been implemented worldwide. In particular, standards aimed at enhancing audit quality have been developed by the Institute of Internal Auditors (IIA), the International Auditing and Assurance Standards Board (IAASB), and other international organizations. However, the systematic evaluation of factors affecting internal audit quality in joint-stock companies has not yet been sufficiently studied. This situation determines the relevance of the present research topic.

The theoretical foundations of internal audit activities and the issues of assessing audit quality have been studied by many foreign and domestic scholars. In particular, R. Messier, S. Glover, and D. Prawitt define internal audit as an independent activity aimed at managing risks, evaluating control systems, and improving management processes within an organization.

Similarly, A. Gramling and D. Hermanson consider internal audit quality as one of the key factors ensuring the effectiveness of corporate governance systems.

International audit research emphasizes that the following factors influence audit quality:

- auditors' qualifications and experience
- auditors' independence
- audit methodology
- the development level of the internal control system
- the level of corporate governance

In international practice, audit quality indicators have been developed by several organizations, including:

- Public Company Accounting Oversight Board (PCAOB)
- Financial Reporting Council (FRC)
- Canadian Public Accountability Board (CPAB)

These organizations recommend using the following indicators to evaluate audit quality:

- auditors' qualification level
- quality of the audit process
- audit workload
- auditors' professional experience
- results of external inspections.

In the modern corporate governance system, internal audit plays an important role in ensuring the financial stability of an organization, managing risks, and evaluating the effectiveness of the internal control system. The efficiency and quality of internal audit activities depend on numerous factors, which are closely related to the organization of the internal audit system, the professional level of auditors, the institutional environment, and technological infrastructure.

Within the framework of the study, the factors influencing the quality of internal audit in joint-stock companies were divided into five main groups: institutional factors, organizational factors, human capital factors, technological factors, and regulatory–legal factors.

1. Institutional Factors

Institutional factors determine the role of internal audit within the organization, its independence, and its relationship with the corporate governance system. These factors directly influence the effectiveness of internal audit activities.

The main institutional factors affecting internal audit quality include:

- supervision of internal audit activities by the board of directors
- the presence of an audit committee

- independence of the internal audit service within the organization
- the level of development of the corporate governance system
- integration of audit activities with strategic management processes

In international practice, the institutional independence of internal audit is considered one of the main conditions for audit quality. In particular, according to the **IIA Three Lines Model**, internal audit should function as an independent evaluator of the organization's risk management and control systems.

The more developed the institutional environment is, the more effectively the internal audit function operates.

2. Organizational Factors

Organizational factors are related to the internal structure of internal audit activities, the level of organization of audit processes, and the methodological foundations of auditing.

Organizational factors include:

- the organizational structure of the internal audit service
- the audit planning system
- audit methodology and audit standards
- the internal control system used in the audit process
- monitoring and evaluation systems of audit processes

Organizational factors play a significant role in ensuring the effectiveness of internal audit activities, since the effective organization of audit functions contributes to improving the quality of audit processes.

In international practice, a **risk-based audit approach** is widely applied in organizing internal audit activities. This approach allows audit resources to be directed toward the most significant risks.

3. Human Capital Factors

One of the most important factors affecting internal audit quality is the professional competence of auditors. Human capital factors are related to auditors' knowledge level, professional experience, and professional competencies.

These factors include:

- auditors' professional qualifications
- auditors' work experience
- the professional development system of auditors
- professional certifications of auditors (CIA, ACCA, CPA, etc.)
- auditors' analytical and critical thinking skills

Research shows that organizations with highly qualified auditors tend to demonstrate higher quality audit engagements. Therefore, establishing a continuous professional development system for auditors is considered an important condition for improving internal audit quality.

4. Technological Factors

In the digital economy, the effectiveness of internal audit processes largely depends on the level of use of information technologies.

Technological factors include:

- the level of automation of audit processes
- information systems auditing
- big data analysis
- artificial intelligence-based audit technologies
- the use of digital platforms in audit processes

The use of information technologies increases the speed and accuracy of audit processes.

In international practice, **Global Technology Audit Guides (GTAG)** developed by the **Institute of Internal Auditors** serve as an important methodological framework for organizing technology-related audit processes.

5. Regulatory and Legal Factors

Regulatory and legal factors include laws, regulatory documents, and international standards governing internal audit activities.

These factors include:

- national legislation regulating internal audit activities
- international audit standards (IPPF, Global Internal Audit Standards)
- corporate governance codes
- financial reporting standards
- regulatory documents governing audit activities

The regulatory and legal environment determines the institutional foundations of internal audit activities and contributes to ensuring the quality of audit processes.

Table 1.

Factors Affecting the Quality of Internal Audit in Joint-Stock Companies and Their Indicators

Factor Group	Key Factors	Evaluation Indicators
Institutional factors	Corporate governance system, activities of the audit committee, independence of internal audit	Relations with the board of directors, existence of an audit committee, independence of internal audit from management
Organizational factors	Structure of the internal audit service, audit planning processes, audit methodology	Existence of audit plans, systematic organization of audit processes, compliance of audit methodology with international standards

Human capital factors	Auditors' qualifications, professional experience, professional development system	Auditors' professional certifications (CIA, ACCA, CPA), work experience, training hours
Technological factors	Use of information technologies, automation of audit processes	Audit software, data analytics tools, IT-audit system
Regulatory and legal factors	Laws and international standards regulating internal audit	Compliance with IPPF standards, corporate governance codes, regulatory documents governing audit activities

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In international practice, the main standards regulating internal audit activities are the **International Professional Practices Framework (IPPF)** and the **Global Internal Audit Standards** developed by the **Institute of Internal Auditors**.

The analysis shows that the factors influencing the quality of internal audit in joint-stock companies are multidimensional and are associated with institutional, organizational, human capital, technological, and regulatory–legal factors.

These factors operate in an interconnected manner to ensure the effectiveness of the internal audit system. Therefore, in order to improve the quality of internal audit, it is necessary to develop these factors in a comprehensive and integrated way.

The results of the study indicate that the most significant factors affecting internal audit quality in joint-stock companies are the following:

1. auditors' professional qualifications

2. independence of the audit function
3. effectiveness of the audit committee
4. audit methodology
5. the level of digital technologies

According to the research findings, the following measures are important for improving internal audit quality:

- improving auditors' professional qualifications
- digitalization of audit processes
- strengthening the role of the audit committee
- aligning audit methodology with international standards

The quality of internal audit in joint-stock companies plays a crucial role in ensuring the effectiveness of the corporate governance system.

As a result of the study, the main factors affecting internal audit quality were identified, and a scientific–methodological approach for their evaluation was developed.

The proposed model enables a comprehensive assessment of internal audit quality and provides opportunities for improving the audit system.

The findings of this research contribute to the development of audit systems in joint-stock companies, the improvement of corporate governance, and the enhancement of financial transparency.

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