

## **CYCLIC QUALITY AUDIT: OUTCOME, LIMITATIONS AND STAKEHOLDER PERSPECTIVE**

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### **Abstract-**

**Objective:** To assess the outcome of cyclic audit and to get perspective of stakeholders with each cycle of audit

**Methods:** The study was carried out in three phases which involved concept building through theoretical studies, detailed study of audit process of organizations that have undergone five cycles of audits and auditing agencies through survey of employees, review of audit reports to examine the process improvement after each cycle of audit, face-to-face interview each of the stakeholder to get deeper insight from each about their experiences at the end of each cycle of audit.

**Findings:** Even though cyclic audits play an important role in improving organizational processes; issues like monotony of audits, operational bottlenecks, pressures from peers and superiors, non-transparency and over focus on documentation limit the potential of audit.

**Application/Improvements:** Possible solutions have been discussed in the paper for deriving better outcome from audits.

**Keywords –Cyclic Audit, Auditee, Auditor, Process Improvement, stakeholder perspective, Outcome**

### **I. INTRODUCTION**

Audit is a concept that emerged as a response to the Great Depression of the 1930s which then evolved overtime. Audit means state of completeness or performance of activity to rules. (Arter D., 2014). Auditing is scrutiny of the procedures and policies of an organization, for compliance with internal or regulatory standards. It involves detailed analysis of the goals, planning processes, procedures, and results of the operations of a business. Audit makes a good contribution in decision making and implementation of strategies for achievement of organizational goals. It determines the reliability, reality and integrity of information that comes from various organizational units or departments. Audit report thus becomes an important guideline for effective management. (Ljubisavljevic, Jovanovi, 2011). It becomes very important to successfully implement the auditing procedure. The principles of auditing include ethical conduct, fair presentation, professional care, independence, objectivity, impartiality, evaluations based on evidence, competence, cooperation, and trust. (Cianfrani C. A., West J. E., 2013). According to Martins L & Pinheiro (2012), auditor preparation, the quality of findings of audit and guidance for risk have been identified key factors influencing result of auditing services. Other literature findings have attributed the compromise in the auditing procedure to the individual characteristics of the auditor as well as the auditee. (Sarens, 2009). Elliot M., et., al (2007)

investigated the reasons for which internal auditing is sometimes perceived as not adding value to the company. The study indicated that although the internal auditing process is generally perceived as necessary however the benefits and value addition has not come out as the outcome of the exercise. In such a situation, audit report does not go beyond indicating failure in compliance to standard operating procedures without adding value to the organizational operations.

### **Review of Literature**

Audits have broadly been categorized as product audit, process audit and systems audit. Product audit focuses purely on inspection of finished product which may involve complete dissection of the product after completion; process audit involves audit of all the activities involved in preparation of the product and system audit involves all the processes of an establishment which includes core as well as support processes enabling provision of end product or service. In system audit in addition to individual products and processes, the interaction of different processes wherein output of one process becomes the input of another process is also scrutinized. (Arter D., 2003). These categories are further classified into compliance audits and performance audits. Compliance audit is focused at gauging the performance of a product, process or a system against specified standards, rules, or laws. It is aimed purely at identifying gaps. It is a good way of assessing activities specific requirements, like those in the ISO standard. (Pivka M, 2007). Performance audit as the name suggests, focuses on performance of the product, process or the system viz-a-viz expectations of stakeholders or competitors. Performance review of the organization's objectives enables focusing on the key performance issues. Here the auditor facilitates the managers as well as the process executors to explore ways mutually and positively for improving the performance & work out solutions for resolving the issues which come in the way of realization of envisioned performance objectives. This leads to identification of problem areas. Following points are considered to identify the problem areas: (Juneja P, 2018)

- Area in the sequence of events where the process is deviated or broken?
- Activities that create roadblocks.
- Identify time consuming phases.
- Identify steps where costs/resources go up and can be reduced without compromise in quality. Steps in the process leading to compromise in quality.

This is followed by search for opportunities for improvement. This can be mainly identified through data analysis, self-assessment and setting benchmarks. This helps gauge the organizational/departmental performance against an established business excellence model.

**Qualifying as an auditor:** The qualities expected from a good auditor are keen listening ability, good observation, and good analytical skills. An expert auditor does not possess the desire of fault finding. Lot of homework is expected from the auditor before commencing the audit. One assumes that a person who audits their work would know the organization and its operations very well since they have been auditing many such organizations and hence would be able to add substantial value their process. Therefore, it becomes important for auditor to know the process being audited very well and to know how such processes are being conducted by other such leading organizations. A good auditor should have a vision and instinct, good interpersonal skills, ability to make the right decisions based on evidence and situation, leadership qualities to help the client find out solutions to difficult situations, good communication skills, sound technical ability, and an ethical foundation. (Anderson AW., 2012).

**Auditor's Competencies:** Since an auditor must assess an organization for compliance to the established procedures in a matter of only few hours and is expected to suggest measures for improvement and guide the organization towards excellence, this can be achieved by: (IIA, 2013)

- Bringing out areas that do not conform to the procedures set by the organization or any legal/statutory requirements wherever applicable.
- Identifying gaps.
- Suggesting measures for improvement.
- Facilitating continual and visible improvement over a period
- Facilitating excellence.
- Make people realize the positive outcomes of quality culture.
- Be instrumental in spreading the quality culture across the organization right from top to the grass root level.

For this following competency are expected within an auditor (IIA, 2013) –

- Communication skills
- Persuasion and collaboration
- Critical thinking
- Technical expertise
- Professional ethics

### **Auditor's dilemma**

A profession purely aimed at enabling organizations achieve excellence suffers from limitations due to the nature of the profession. Auditors are likely to face criticism because of the nature of their work. A highly critical auditor often faces resistance and is likely to get negative feedback from the auditee. Being liberal and having a more suggestive approach, puts the auditing abilities of the auditor under scrutiny. The auditor has to be articulate with words while giving critical inputs. Auditor needs to convey the points in a manner which is positively accepted by the auditee as a welcome suggestion for improving the system and not just as a fault-finding session. (Aamer Sheikh, Kathleen A. Simione, 2019)

Unclear distinction between errors and non-compliance may lead to undesired severe consequences. For instance, a staff making an unintended error may be viewed as an intentional wrongdoing thus leading him/her to rebuke or punish the executor. The paradox here is due to the reason that out of pressure to prove their worth; the auditors are often pushed by the team leaders to come up with maximum audit points even if the process implementers do not agree with the observation raised. (Frese M & Keith N, 2015).

With limited time and resources available, auditors tend to emphasize more on inconsequential problems thereby restricting themselves from addressing the major control areas. Such audits can be more damaging to the functioning of organization than benefitting. That is because subsequently the executors would be spending their valuable time and resources on rectifying minor issues and compromise on the major ones that have a bigger overall impact on organization's functioning. (Arens, A., Elder et.al, 2017).

**Cyclic Audit**—While most studies have clearly brought out the importance of audits in improving the processes; however certain drawbacks of audits have also been brought out by researchers which are majorly attached to auditor competencies, auditing procedures and unprofessional culture of the department or organization being audited. (Ling et. al., 2017)

How the attitude and perception of each stakeholder changes with every cycle of series of audits needs to be explored more. Examining 'Cyclic audit', term borrowed from cyclical auditing of multiple channels by a single auditor can help in better understanding the shift in attitude of stakeholders with each cycle of audit.

### **RESEARCH METHODOLOGY**

The major emphasis of the study was to understand the outcome and limitations of auditing from the point of view of various stakeholders. The term 'Cyclic Audit' has been used in this study for continuous cycles of quality management audits to analyze the changes in attitude and perception of each stakeholder after each cycle of audit. For the purpose of analysis, the series of audits have been divided into following cycles:

- Cycle I : Planning, learning, preparing SOPs and interlinking of processes,
- Cycle II : Compliance with SOPs and guidelines, performance measurement and monitoring
- Cycle III: Performance review, Self-assessment, Quality Assurance
- Cycle IV: Continual improvement, Quality Enhancement
- Cycle V : Quality Excellence

The entire study was carried out in three phases.

**Phase I:** The initial phase involved theoretical studies to understand the problem and develop a concept around the problem. Research papers and articles published in national and international journals were reviewed using the key words like audit benefits and limitations, cyclic audit, auditor's competencies, audit bias, auditee, etc. These gave an insight into various activities involved in auditing, continual improvement in organizational quality standards after each cycle of audit, quality of audit reports, positive and negative sides of audit identified. Theoretical studies revealed that while auditing plays an important role in improving processes of organizations, certain barriers prevent organizations from attaining process excellence. The review helped in identification of problem areas and generation of list of items to be studied. From the list following items were taken as the base for further study:

- (1) Audit stakeholders – Auditor, Auditee, Management, Process implementers
- (2) Stakeholder perception

- (3) Audit barriers at stakeholder level
- (4) Pre audit activities
- (5) Conduct of audit
- (6) Post audit activities
- (7) Audit Enablers
- (8) Auditor's independence

The study of phase one helped in defining following objectives for the study.

- i. To observe the pattern of change in auditor outlook with each cycle of audit series
- ii. To observe the pattern of change in auditee outlook with each cycle of audit series
- iii. To observe the pattern of change in management outlook with each cycle of audit series
- iv. To observe the outcome of cyclic audit as a result of changing stakeholder outlook
- v. To identify the barriers at every stage of audit cycle that prevent bringing about process improvement
- vi. To identify enablers to overcome the barriers thus identified.

The study was carried out under the assumption that after having undergone five successful audit cycles by the end of fifth cycle of audit, the organization should be able to reach the stage of excellence.

**Phase II:** Phase II involved detailed examination of audit process of three organizations that have undergone minimum five cycles of audits and three auditing agencies keeping in mind the above objectives. One organization was picked up from manufacturing sector, one from education and one from IT sector from Noida city of Delhi NCR. Identity of the organizations has been kept confidential as the study involved some confidential audit reports. Stakeholders were also reluctant in freely expressing themselves. Therefore, they were also assured complete confidentiality. Purpose of the study was to see how the organizational processes improved with each phase; whether excellence was achieved after five cycles of audit; to observe the change in attitude of stakeholders with each audit cycle and to look out for problems encountered at each stage. Process of training and development, procurement and HR were picked up from each of the organizations for the study. In Phase II audit reports, action taken reports and closure reports of the three organizations were examined. Following aspects were covered for examination of the reports:

- (1) Whether the reports reflect conformance with definition of the cycle of audit
- (2) Whether the reports and corrective action reports demonstrate continual improvement
- (3) Difference between the type of findings given by repeated auditors over different cycles and those given by new set of auditors with changing cycle
- (4) To assess the correctness of gap closure report by mapping it with ground realities

**Phase III:** After having examined the reports, the third phase involved survey and one to one interaction with process implementers who were the auditees and Management representatives and quality managers of the three organizations and with auditors of an auditing agency from Delhi. A total of 45 auditees from three organizations and 15 auditors were surveyed. One to one interaction was carried out with the management representatives and quality managers of each organization and with 3 audit team leaders to get their perspective. The survey and interaction covered questions related to following points. Respondents were asked to respond to the questions for each cycle of audit separately:

Auditees:

- (1) Level of confidence while facing audit
- (2) Level of preparation for audit
- (3) Willingness to contribute towards process improvement
- (4) Positive response towards audit observations
- (5) Keenness to learn about strengths and weaknesses of their process
- (6) Trainee like approach towards audit
- (7) Level of motivation

Auditors

- (1) Level of confidence while facing audit
- (2) Level of preparation for audit
- (3) Willingness to contribute towards process improvement
- (4) Comfort level about client's attitude during the audit

- (5) Level of pressure to come up with good audit findings
- (6) Trainer like approach towards audit
- (7) Level of motivation

**One to One interaction**

One to one interaction points with management representatives, quality managers and audit team leaders focused on comparison of closure report of audit observation with real situation, comparison of process improvement projected with real situation; management expectation and outlook towards each cycle; reasons for changing approach towards each cycle; issues encountered by auditor as well as client during audits; level of independence in auditing. During the interaction suggestions were also invited for all stakeholders to overcome the problems encountered.

**IV. RESULTS**

**4.1 Change in auditor outlook with each cycle of audit series**

Survey of 5 auditors each from three auditing agencies was conducted. Aim of the survey was to observe the pattern of change in attitude, approach, and motivation with each cycle of audit. Attitude was measured through ‘seriousness towards audit’, ‘level of confidence’ and ‘willingness to contribute towards process improvement’ on a three-item scale of high, moderate, and low. Approach was measured through ‘level of preparedness’ and ‘trainer approach’ on a two-item scale of yes and no, whereas motivation was measured on three-point scale of high, moderate and low.

This was followed by an open discussion to get a detailed insight on auditor’s independence and challenges faced during audits.

From the survey and discussion, following points emerged:

Audits are not forward looking and not on real time data since it makes assessment based on past reports. Although risk assessment has been included in audits to make it future oriented, its importance is not fully understood by clients. Within a short time, frame finding out the authenticity of records and reports is difficult. Most of the time auditors have to trust on what is presented during the audit. Auditors have to be extremely competent in differentiating between authentic and fabricated records. Virtual working due to COVID-19 pandemic has thrown a new set of challenges to auditing procedures. While auditing some areas has become easier and more efficient others have taken a back seat.

The change in attitude and approach of the auditor is depicted in table 1

**Table - 1 Auditor’s perspective on audit**

Auditor	Attitude	Approach	Motivation
Cycle I	<ul style="list-style-type: none"> <li>• Serious about the audit</li> <li>• Eager to facilitate process improvement</li> <li>• Anxious about the client’s response to audit</li> </ul>	<ul style="list-style-type: none"> <li>• Prepares well for the audit</li> <li>• Keen to learn about the organization</li> <li>• Trainer like approach</li> </ul>	High
Cycle II	<ul style="list-style-type: none"> <li>• Confident</li> <li>• More relaxed</li> </ul>	<ul style="list-style-type: none"> <li>• More focused</li> <li>• Better prepared and looks for quantifiable scales for measurement</li> <li>• Stress on PDCA</li> </ul>	High on seeing improvement on previous observations
Cycle III	<ul style="list-style-type: none"> <li>• Confident</li> <li>• Friendly</li> <li>• Relaxed</li> </ul>	<ul style="list-style-type: none"> <li>• Data driven approach towards audit</li> <li>• Raises the level of audit findings</li> <li>• Focuses more on analysis, targets, achievements</li> </ul>	High to see improved performances
Cycle IV	<ul style="list-style-type: none"> <li>• Slightly less on confidence</li> <li>• Starts running out of new suggestions</li> </ul>	<ul style="list-style-type: none"> <li>• Becomes critical in auditing</li> <li>• Shifts from facilitator to fault finder</li> </ul>	Moderate as there isn’t much new to offer

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	improvement
Cycle V	<ul style="list-style-type: none"> <li>• Feels the pressure to produce results</li> <li>• More interested maintaining a good rapport with the client for fear of getting poor feedback</li> <li>• More of fault-finding exercise because of better prepared auditee</li> </ul> <p style="text-align: right;">Low as auditee is now in a more commanding position</p>

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**4.2 Change in auditee outlook with each cycle of audit series**

Quality managers and employees of three organizations were surveyed to observe the pattern of change in attitude, approach, and motivation with each cycle of audit. Attitude was measured through ‘seriousness towards audit’, ‘level of confidence’ and ‘willingness to learn from audit’ on a three-item scale of high, moderate, and low. Approach was measured through ‘level of preparedness’ and ‘trainee approach’ on a two-item scale of yes and no, whereas motivation was measured on three-point scale of high, moderate and low.

This was followed by face-to-face interviews with some. Confidentiality was assured to them to get a frank and unbiased opinion.

Auditors are seen as watch dogs of the management. They consider auditors as biased towards the management, thus assuming their bias against the process owners. Audit is more perceived as a onetime event for which some preparations are done, once over they tend to forget about it. The preparation involves updating records and preparing presentation for the audit. This highlights the point that documents, and records are updated and prepared just before the audit rather than on day-to-day basis. The discussions revealed their resistance towards auditors. They are seen as entities paid to find fault without understanding the operational issues and bottlenecks faced by the implementers. The purpose of audit under such assumptions gets defeated. (Janet Aisbett, 1988).

Sometimes incompetence and biasness on part of one auditor leads to distrust in auditing system. Due to such experiences, they do not give much importance to audits. Often fear of poor feedback from client prevents auditors from giving frank opinion. Information is not openly shared by clients or their departments.

The change in attitude and approach of the auditee is depicted in table 2

**Table - 2 Auditee perspectives on audit**

Auditee	Attitude	Approach	Motivation
Cycle I	<ul style="list-style-type: none"> <li>• Serious about audit</li> <li>• Eager to learn from audit results</li> <li>• Zealous to improve process</li> </ul>	<ul style="list-style-type: none"> <li>• Nervous</li> <li>• Careful</li> <li>• Trainee like approach</li> <li>• Self-conscious about trivial errors</li> </ul>	High
Cycle II	<ul style="list-style-type: none"> <li>• Anxious</li> <li>• Looking for appreciation for showing improvement in performance</li> <li>• More enthusiastic</li> <li>• Welcomes more inputs</li> </ul>	<ul style="list-style-type: none"> <li>• Improved documentation</li> <li>• Improved accountability</li> <li>• Improved presenting skills</li> </ul>	High as learning and performance are improving
Cycle III	<ul style="list-style-type: none"> <li>• Improved level of confident</li> <li>• Disappointment starts building with higher levels of audit observations</li> </ul>	<ul style="list-style-type: none"> <li>• Endeavoring to sail through new sets of observations, preparing corrective action and supporting documents</li> <li>• Confidently able to show compliance and improvement</li> </ul>	High because of visible improvements and appreciation

Cycle IV	<ul style="list-style-type: none"> <li>▸ Assertive,</li> <li>▸ Assured about carefully managing inconsistencies</li> </ul>	<ul style="list-style-type: none"> <li>▸ Prepared well for the audit</li> <li>▸ Resists suggestions that do not appear to be feasible under prevailing circumstances</li> <li>▸ Knows how to cover open loops</li> </ul>	Moderate, with declining seriousness about actual process improvement and pleased with their own performance in audit.
Cycle V	<ul style="list-style-type: none"> <li>▸ Aggressive</li> <li>▸ Focuses on Maintaining a mutually beneficial relationship with auditor</li> </ul>	<ul style="list-style-type: none"> <li>▸ Becomes proficient in demonstrating improvement which may even be contrary to ground reality</li> </ul>	Low as there is no learning and no real improvement

**4.3 Change in auditor outlook with each cycle of audit series**

One to one interaction was carried out with the management representatives and quality managers of each organization to get their perspective. The interaction was undertaken after going through audit reports, corrective action reports and after analyzing the surveys of auditor and auditee to get a deeper understanding of their viewpoints on each. For the management audit serves following purpose:

- It acts as a watch dog through which it keeps getting regular reports about functioning of each department
- To establish credibility amongst customers and other stakeholders
- Ensure continuous improvement at ground level operations.
- To develop a culture of transparency and accountability

With the above aspects in place, management can focus on bigger and broader areas of the business. The change in attitude and approach of the management is depicted in table 3.

**Table - 3 Management perspective on audit**

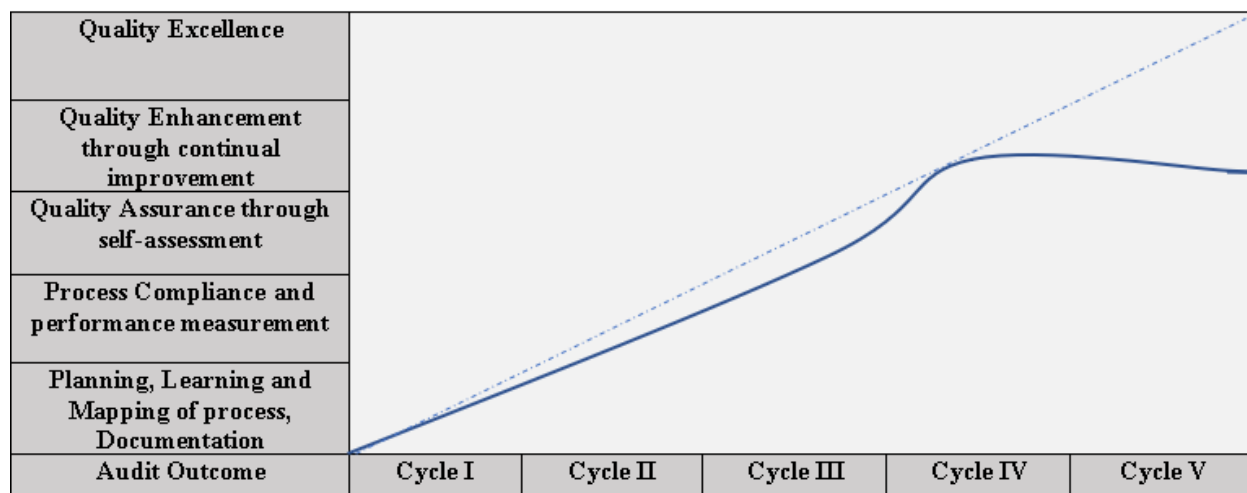
Management	Attitude	Approach	Motivation
Cycle I	<ul style="list-style-type: none"> <li>▸ Eager to know organizational performance on ground</li> </ul>	<ul style="list-style-type: none"> <li>▸ Carefully observing audit proceedings</li> </ul>	High
Cycle II	<ul style="list-style-type: none"> <li>▸ Keeps a close watch</li> </ul>	<ul style="list-style-type: none"> <li>▸ Carefully observes action taken on audit findings</li> <li>▸ Seeks assurance about proficiency of audits in facilitating organizational improvement.</li> </ul>	High
Cycle III	<ul style="list-style-type: none"> <li>▸ Relaxed to see the effectiveness of the audits</li> </ul>	<ul style="list-style-type: none"> <li>▸ Convinced that an agency is there to keep an eye on the system</li> </ul>	High
Cycle IV	<ul style="list-style-type: none"> <li>▸ Glad to see the mechanical self-correcting system</li> </ul>	<ul style="list-style-type: none"> <li>▸ Shifts focus to other business functions</li> </ul>	Moderate
Cycle V	<ul style="list-style-type: none"> <li>▸ Declining interest in micro level audit results</li> </ul>	<ul style="list-style-type: none"> <li>▸ Designates officials to monitor the process</li> </ul>	Moderate

**4.4 Outcome of cyclic audit**

All stakeholders were explained the expected outcomes defined for each cycle and were asked to rate the actual outcome of each cycle of audit against expected outcomes on a scale of 1-5. The outcome of the continuous series of audits is rated by the auditee and the management is depicted in table 4. Rating given by auditors has not been considered in the table.

**Table - 4 Outcome after each cycle of audit**

Cycle of Audit	Desired Outcome	Resultant Outcome	Achievement of desired Outcome (on a scale of 1-5)
<b>Cycle I</b>	Planning, Learning and Mapping of processes	Review of processes and documents Well-laid out documents Identification of gaps in processes, Action initiates on process improvement	4
<b>Cycle II</b>	Process compliance and performance measurement	Positive attitude towards audits Benchmarking of standards Visible improvement	5
<b>Cycle III</b>	Quality Assurance through self-assessment	Better trained quality staff Smartdata management and presentation Enhanced performances Higher levels of challenges A systematic system of Plan Do Check and Act (PDCA) builds in	4
<b>Cycle IV</b>	Quality Enhancement through continual improvement	Overall improvement Overconfidence, which leads to declining seriousness More emphasis on documents and presentation	3
<b>Cycle V</b>	Quality Excellence	Audit becomes a deceptive exercise Process implementers become expert in demonstrating continual improvement, which may be contrary to ground realities	2



**figure 1: Outcome after every cycle**

It can clearly be seen from figure 1 that when the organizations are nearing quality enhancement, the outcome curve has started coming down against the desired outcomes. All stakeholders agreed that auditing has helped streamlining of processes and documentation. There was a lot of improvement happening during the initial phase; however, it could not deliver the results beyond a certain point. Under ideal conditions the organization would have moved towards



excellence, but due to certain limitations it did not happen. In addition to limitations in the auditing system, there were some cultural barriers that prevented this beautiful system to enable organizations to attain excellence.

**4.5 Reasons for decline in outcome - Identifying barriers and limitations:**The results of responses given by stakeholders were shared with them. They were then asked to give reasons for the decline. Topmost reason given for decline in the outcome was that their learning through audit had stopped. Auditors had nothing new to offer. They knew more than the auditor. The auditors had not been upgrading their understanding about the organization and specific processes audited to the latest development in the industry. Second most quoted reason was that while improvements were visible till the third stage, from fourth stage they started focusing more on demonstrating improvement rather than on working towards real improvement. This seemed to be an easier way. Another reason was that it is tedious to get through operational bottlenecks involved in undergoing any sort of change. It seems easier to continue working as per the existing procedures. Whenever an auditor is changed, major time of the audit goes into acquainting the auditor with structures and procedures of the departments. No exchange of notes between the previous auditor and the new auditor results in repetition of basic activities of audit, which according to the auditee is a waste of time. It also seems that auditors only look at previous audit findings before coming for the audit. A detailed review of all previous audit reports will give the auditors deeper understanding and will enable them to identify focus areas for audit. Due to declining management interest, a dialogue between management and auditing team does not take place before coming for the audit. In absence of this the stakeholders do not share common vision for audit. Auditee also pointed out that all this involves too much of unnecessary documentation. There is a need to remove this notion from their minds.

While the management claims that it completely supports its employees in their desire to initiate changes, however the process owners did not seem to share the view. They argued that many suggestions given in the audit reports cannot be implemented as it becomes difficult to procure resources for the same, so they prefer to manage with documentation manipulation in order to show compliance. Fear of rebuke by superiors sometimes forces people to cook up records at the last moment.

#### **4.6 Overcoming the barriers and limitations**

Face to face interviews were instrumental in bringing out some useful suggestions to overcome the challenges faced at each end. Some of these suggestions have also been supported by another research.

**Auditor:** Auditors must seek feedback on observations before preparing the final report to assure that it serves the purpose. To make the audit more purposeful, rather than looking for gaps the auditors should visit the client with the aim of leaving the office in a better state than before the visit. But this is possible only if the client and the sub-unit being audited also shares the same vision. Auditors' knowledge on industry best practices in each area of operation, ability to identify key risk areas which would also be of interest to management is very important. Auditors should go beyond compliance aspect of the audit. This will enable open discussion on problems at hand and ways to overcome these. Auditors are expected to have experience of similar audits of peers in order to have a deeper understanding of pros and cons. Emotional intelligence of the auditor is an important factor in making judgment making auditee agree with the findings. (Adjetey, P.E, 2019). With outbreak of COVID-19 pandemic, assessment of risk control mechanisms has now become the most important aspect of auditing, which would also be important to the management. (KPMG, 2020), (Delloite, 2020)

**Auditee:** More transparency is expected from the client and its subunits in producing information. Auditee firm should view Auditor as a business partner and not as a fault finder. Action plan should be prepared immediately after conduct of audit. The same should be reviewed periodically to ensure timely action and improvement contrary to the practice of preparing just before audit. With visible improvements in their processes the auditees who are the process owners will welcome more inputs from auditor rather than resisting them. Longer association of an auditor with the client is viewed positively since the auditor does not start from scratch and is aware of many issues. Takes forward from where it was left last time. It saves a lot of repetition and time.

**Management:** Leadership and Quality assurance department of the organizations being audited must play catalytic role to ensure a mutually beneficial outcome of audits. Management should encourage regular interface between auditor and auditee to discuss issues related to audit findings. Auditors should be treated as consultants. Greater stakeholder engagement promotes receptiveness towards audits. (KPMG 2020)(Victor Tiberius, Stefanie Hirth, 2019). A proactive approach is required to enhance the Auditor-Auditee relationship. For internal audits provision of

effective tools, structure and authority is important. Going beyond the technical aspects, the auditor-auditee collaboration must encourage human angle to audit like trust, transparency, humility, listening, two-way communication, acknowledgment, flexibility, appreciation. (Margie Humphrey, 2019), (Parker et.al. 2020)

#### V. CONCLUSION

**5.1** The audit perspectives of stakeholders have been critically examined here, therefore more criticism has come to fore in the report. This does not indicate that auditing is full of flaws. Audit has a great potential to raise the standard of organizations.

5.1.1 After getting an insight into the stakeholder perspective, following areas were brought out which need to be addressed:

- (1) Standard of observations does not rise much after initial few cycles of audit
- (2) Repetition in observations in case of a new auditor
- (3) Lack of clear vision for new cycle of audit
- (4) Documentation overemphasized.
- (5) Operational bottlenecks to close the gaps pointed out in audit reports
- (6) Audit observations taken as serious mistakes hence met with rebuke or punishment by superiors
- (7) This promotes culture of forging of records and cooking up documents
- (8) Shift in management prioritization

5.1.2 Authors suggest that internal audit unit needs to play a vital role between the management, external auditors, and all organizational units to be audited. There is a need to:

- (1) Create platform for regular interaction between auditor and client to discuss issues related to audit findings.
- (2) Enable audit and consultancy to go hand in hand.
- (3) Foster greater collaboration and positive relationship between the Auditor and the Auditee at all levels of the organization.
- (4) Mandatory desk study should be a part of schedule for auditors to upgrade their knowledge on latest developments in organization to be audited
- (5) Thrust areas for audit should be mutually decided with the leadership to ensure cohesion of goals
- (6) Foster culture of open communication on gaps observed, expected bottlenecks and workable solutions
- (7) Notion that documents are to be created for the purpose of audit is to be removed
- (8) Internal audit activities will facilitate efficiency and reduce risk if provided with the right tools and technologies and right reporting structure.
- (9) Audits should be more present and future focused.

**5.2 Limitations:** The study was carried out on a very small scale with stakeholders from only three organizations and three auditing agencies. Sector wise study might have given a wider overview.

#### **5.3 Recommendation for future study:**

- (1) Similar study could be conducted with different sectors to give a broader perspective
- (2) Six sigma approaches to auditing to zero down the failures in auditing
- (3) Study of hybrid model of audit with digital and field auditing for developing a regular interface between stakeholders

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