Research Journal of Applied Sciences, Engineering and Technology 4(10): 1300-1309, 2012
ISSN: 2040-7467

Submitted: December 09, 2011 Accepted: September 25, 2012 Published: May 15, 2012

A Study of Job Satisfaction between External and Internal Auditors: An Iranian Scenario

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Abstract: The current study aims to investigate the job satisfaction of external and internal auditors in Iran during 2010. Obtained results reveal that concluded that internal auditors have lower authority than external auditors. Further, internal auditors have low level satisfaction from supervisors than external auditors.

Key words: Job satisfaction, external auditor, internal auditor, Iran

INTRODUCTION

Work is a central part of almost everyone's life. Most clerks devote weekdays to work (Landy and Conte, 2004) as career development makes up almost 70% of all human developmental tasks. Stress has received a great deal of renewed attention during the last two decades (Beehr, 1998). In a 1997 survey, thirty-three percent of Americans believed that their job was more stressful than it had been just a year previously, and over two thirds of Americans believed their jobs had become more stressful over the previous five years (Cohen, 1997).

Work and the workplace emphasizes many issues related to industrial and organizational psychology including personnel selection and training, job satisfaction, quality of work life, human factors, work conditions, performance appraisal, motivation and leadership, and the physical and mental health of workers.

Perceived satisfaction on the job is reflected by the needs of sense of fulfillment and expectation for the job to be interesting, challenging and personally satisfying. Job satisfaction is also an achievement indicator in career developmental tasks and is associated with the psychological (Limbert, 2004) and individual well-being (Nassab, 2008).

Low job satisfaction can be an important indicator of counterproductive employee behavior and can result in behavior such as absenteeism (Martin and Miller, 1986) and turnover intentions (Dupré and Day, 2007). Job satisfaction can also partially mediate the relationship of psychosocial work factors to deviant work behaviors. Therefore, maintaining and enhancing job satisfaction is important in order to establish quality worker, workplace and work itself.

Task complexity and occupational stress: According to Karasek's (1979) job demands-job control model, stress outcomes such as mental and physical health problems, occur when jobs are simultaneously high in demands and low in controllability. This idea stems from the reasoning that high demands produce a state of arousal in a worker that would normally be reflected in such responses as elevated heart rate or adrenaline excretion. When the worker is restrained from addressing the high demand, as might occur when control is low, the arousal cannot be appropriately channeled into a coping response and thus ultimately magnifies the physiological reaction and causes it to persist for an extended period of time. The model also suggests that positive outcomes, such as motivation, learning, and healthful regeneration, occur when an individual actively occupies the job (Karasek, 1979). This occurs when they have both high levels of psychological demands and controllability.

Alternatively, when an individual has low control while occupying a low-demand job, a passive condition would be created that would be generally dissatisfying and ultimately stress producing (Karasek, 1989). Small business owners have extraordinary control over their work environment.

History of auditing: The ancient history of accounting and auditing left sparse documentation, but possibly did predate the invention of writing, circa 8,500 B.C. The earliest surviving records in double-entry form are those of the Medici family of Florence, Italy, from 1397.

The "modern" era of accounting dates from the year 1494, when a monk named Luca Pacioli published the first book on accounting. He became known as the "Father of Accounting" because of the widespread

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dissemination of his book and its information. However, Pacioli was a typical monk of the fifteenth century-educated in a wide variety of disciplines, and served as tutor and mentor to the wealthy. In fact, the book itself contains more than accounting, including arithmetic. All Pacioli really did was to explain existing accounting principles.

Auditing, too, is one of the oldest professions. Writing was invented in part to satisfy the need for audits. Zenon papyri record the application of audits on the Egyptian estate of the Greek ruler Ptolemy Philadelphus II as early as 2,500 years ago. Early Greek and Roman writers such as Aristophanes, Caesar, and Cicero make mention of accountants, auditors, and auditing accounts and audit rooms. As early as the Middle Ages, a form of internal auditing existed among the manor houses of England where the lord served as manager of the audit function.

The earliest external audit by an independent public accountant was in 1720 by Charles Snell as a result of the South Sea Bubble scandal in England. The total market value of the South Sea Company, chartered in 1710, eventually exceeded the value of all money in England. Thus when the company crashed, it was an extremely significant public event in the English economy. Fictitious entries were discovered in the books. This event set a precedent in the history of auditing. In fact, many, if not most, major auditing events, improvements, and standards tend to follow public exposure of scandals and/or fraud.

Later, the industrial revolution in England resulted in factory systems that were financed by stockholders. This situation necessitated the need for auditors, both internal and external. To protect the public, the British Companies Act of 1844 provided for mandatory audits. Soon afterward, in 1853, organizations of chartered accountants were formed in Scotland. Then in 1880, five organizations were melded into the unified Institute of Chartered Accountants in England and Wales. By 1881, it had a membership of more than 1,000 members.

The same industrial revolution was occurring across the Atlantic in the United States. By the late nineteenth century, British auditors were being sent to audit American companies. For example, the British firm Price Waterhouse was sending over auditors as early as 1873. Soon, New York offices existed for British firms Price Waterhouse, Peat Marwick & Company, and Arthur Young & Company. Thus it was the British who built the infrastructure for professional auditing in the United States. One of the first key events in the history of the U.S. audit profession was the establishment of what was the forerunner of the American Institute of Certified Public Accountants (AICPA) in 1887. In 1896, New York law provided for the issuance of CPA certificates to those who could pass a qualifying examination. Initially, experienced practitioners were "grandfathered" in by being granted CPA certificates without having to take the examination. Eventually, all states passed CPA laws. At first, each state prepared its own CPA examination, but in 1917 the American Institute of Accountants began preparing a uniform CPA examination that could be used by all states. Another early event of note is the 1913 passage of the Sixteenth Amendment legalizing income taxes. 2 One provision of the law required all companies to maintain adequate accounting records. Thus, even small firms that did not need accounting for management control purposes suddenly had to have accounting records.

The audits of the late 1800s and early 1900s were largely devoted to the accuracy of bookkeeping detail. In most cases, all vouchers were examined and all footings verified. Hence, items omitted from the records were overlooked by the auditors, and the result was an auditing profession that was viewed by outsiders as more clerical than professional.

This view was to change between 1900 and 1917, because bankers became more important as sources of financing and because practice began to catch up with the auditing literature. The change in philosophy mirrored the recommendations in the leading auditing book of the time, which was written by Robert Montgomery. Bankers were less concerned with clerical accuracy than with balance-sheet quality. Thus, as bankers became major users of audited financial statements, the objective of the audit became more concerned with the valuation of assets on the balance sheet. This new direction culminated in the 1917 issuance of Uniform Accounting, a joint publication of the American Institute and the Federal Trade Commission, which also had the endorsement of the Federal Reserve Board. This publication was reissued, with minor changes, in 1918. This document was the first formal declaration of generally accepted accounting principles and auditing standards. It outlined a complete audit program, instructions for auditing specific account balances, and a standardized audit report. In 1929, another revision included more emphasis on the income statement and internal controls. Still another revision in 1936 placed equal emphasis on the balance sheet and income statement. The 1917 document and its revisions became the bible of the auditing profession for more than two decades.

The recent history of external auditing is more events-oriented. In other words, little has occurred in recent years that were not brought about by some catastrophic event such as a lawsuit, financial disaster, or a major fraud case. Ultramares had loaned money to Fred Stern and Company in 1924 on the basis of financial statements prepared by Touche. On those statements, accounts receivable had been overstated. Subsequently, in 1925, Fred Stern and Company filed for bankruptcy. A lower court found Touche guilty of negligence, but the firm was declared not liable to Ultramares because there was no privity of contract between the auditor and Ultramares. The New York Court of Appeals agreed that third parties could not hold an auditor liable for ordinary negligence, only for fraud. However, gross negligence could be construed as fraud, which opened up the auditor to lawsuits even though there was no way of knowing who was going to rely on the misleading financial statements. Thus, the auditor became subject to almost infinite third-party liability. This liability was further expanded at the federal level in the securities acts of 1933 and 1934.

External and internal auditors: The coordination of internal audit activity with external audit activity is very important from both points of view: from external audit's point of view is important because, in this way, external auditors have the possibility to raise the efficiency of financial statements audit; the relevancy from internal audit's point of view is assured by the fact that this coordination assures for the internal audit a plus of essential information in the assessment of risks control (Dobroţeanu and Dobroţeanu, 2002).

The importance of the relationship from internal audit and external audit is reflected also as follows:

- The role of internal auditing is determined by management, and its objectives differ from those of the external auditor who is appointed to report independently on the financial statements. The internal audit function's objectives vary according to management's requirements. The external auditor's primary concern is whether the financial statements are free of material misstatements
- The external auditor should obtain a sufficient understanding of internal audit activities to identify and assess the risks of material misstatement of the financial statements and to design and perform further audit procedures
- The external auditor should perform an assessment of the internal audit function, when internal auditing is relevant to the external auditor's risk assessments
- Liaison with internal auditing is more effective when meetings are held at appropriate intervals during the period. The external auditor would need to be advised of and have access to relevant internal auditing reports and be kept informed of any significant matter that comes to the internal auditor's attention which may affect the work of the external auditor

The internal audit departments of many corporations, mirroring a trend in the public accounting world (Lemon *et al*., 2000), are reexamining the way they go about providing services within their companies.

The primary role of internal auditors is to independently and objectively review and evaluate bank activities to maintain or improve the efficiency and effectiveness of a bank's risk management, internal controls, and corporate governance. They do this by:

- Evaluating the reliability, adequacy, and effectiveness of accounting, operating, and administrative controls
- Ensuring that bank internal controls result in prompt and accurate recording of transactions and proper safeguarding of assets
- Determining whether a bank complies with laws and regulations and adheres to established bank policies
- Determining whether management is taking appropriate steps to address current and prior control deficiencies and audit report recommendations

Internal auditors must understand a bank's strategic direction, objectives, products, services, and processes to conduct these activities. The auditors then communicate findings to the board of directors or its audit committee and senior management.

Internal auditors are increasingly responsible for providing some degree of business advice or consultation for new products or services. They also may help the bank formulate new policies, procedures, and practices and revise existing ones.

Traditionally, the internal audit function has been designed to help ensure reliable accounting information and to safeguard company assets. More recently, internal auditing has evolved to encompass operational auditing, risk assessment, IT assurance services, and more. This expanding role has increased the importance of internal auditing as part of the organization's management control structure (Widener and Selto, 1999) or risk management system (Spira and Page, 2003) but it has also changed the demands being put on internal auditors. Their new role requires different skills and competencies, and many organizations need to face the choice whether to develop these broader competencies internally or to outsource internal auditing to outside service providers (Ahlawat and Lowe, 2004). Internal auditing is considered a stressful occupation because the job is often characterized by heavy workloads, many deadlines, and time pressures. Internal auditors are often under pressure to produce quality work, and yet may be under serious budget constraints to accomplish the work in less time (Brown and Mendenhall, 1995). The work may also involve extensive business travel and frequently changing work locations, which can further increase the job stress levels of internal auditors (Sears, 1992). In addition, continually dealing with auditees in stressful situations may lead to mental and physical distress for the internal auditor (Chau, 1998). These working conditions may cause increased levels of job stress for the internal auditor (Wood and Wilson, 1988).

Internal auditors are employees of an organization whose job is to review company operations to determine whether acceptable policies and procedures are followed, whether established standards are met, whether resources are used efficiently, and whether the organization's objectives are being achieved (Sawyer, 1988). This is a tall order for any internal audit department. In the light of recent events such as the Enron and WorldCom debacles in the USA, the potential of the internal audit department to strengthen internal controls, improve performance, and reduce the likelihood of fraudulent activities has become more widely recognized. At the same time, internal audit departments are often under pressure to keep their operating costs down. As a result, the internal audit manager may try to accomplish more with less, with the end result being increased job stress for their internal auditors.

External auditors' reliance on the work of internal audit has received considerable attention from researchers for almost three decades (Gramling *et al*., 2004). However, much of this research was conducted when internal audit had a narrower focus based on evaluating and strengthening internal controls. In recent years, internal audit activities have been extended so that the function has become a key corporate governance mechanism (Cohen *et al*., 2004). This is reflected in the Institute of Internal Auditors (IIA) definition of internal auditing which stresses that internal audit is both an assurance activity and a consulting activity (IIA, 1999). At the same time, the practice of outsourcing internal audit has become increasingly prevalent (Ernst and Young, 2006; Glover *et al*., 2008), with internal audit services being offered by specialist providers as well as by more traditional accounting firms.

Both the provision of consulting services by the internal audit function and the sourcing arrangement of internal audit have the potential to impact internal audit objectivity. Hence, they could influence external auditors' decisions to rely on the work of internal audit in their own financial statement audit. In this study, we use an experimental design to examine the impact of these two factors on external auditors' reliance decisions.

The Main Similarities The main similarities between internal and external audit are as follows:

- Both the external and internal auditor carry out testing routines and this may involve examining and analysing many transactions.
- Both the internal auditor and the external auditor will be worried if procedures were very poor and/or there was a basic ignorance of the importance of adhering to them.
- Both tend to be deeply involved in information systems since this is a major element of managerial control as well as being fundamental to the financial reporting process.
- Both are based in a professional discipline and operate to professional standards.
- Both seek active co-operation between the two functions.
- Both are intimately tied up with the organization's systems of internal control.
- Both are concerned with the occurrence and effect of errors and misstatement that affect the final accounts.
- Both produce formal audit reports on their activities.

The main differences: There are, however, many key differences between internal and external audit and these are matters of basic principle that should be fully recognized:

- The external auditor is an external contractor and not an employee of the organization as is the internal auditor. Note, however, that there are an increasing number of contracted-out internal audit functions where the internal audit service is provided by an external body.
- The external auditor seeks to provide an opinion on whether the accounts show a true and fair view, whereas internal audit forms an opinion on the adequacy and effectiveness of systems of risk management.The internal auditor has to be concerned about the state of control in the organization.

LITERATURE REVIEW

Stress among accountants has been studied extensively in the world. Mallory and Mays (1984) addressed influential variables when looking at stress in policing. They mentioned several previous studies and their findings regarding police stress. In a study conducted by Kroes ad Margolis. (1974) the researchers found that many of the sources of stress for law enforcement professionals are outside of their control (Mallory and Mays, 1984).

These issues also afflict communications personnel, they include: administrative policies and lack of support from administrators, lack of or poor equipment, negative public attitudes towards police work, and shift work (Mallory and Mays, 1984). This early study suggested that sources of stress for police workers were largely organizational and bureaucratic in nature (Mallory and Mays, 1984). Researcher Terry (1985) looked at police stress as it relates to a professional self-image. His article identifies aspects of law enforcement which are stressful, but do not occur during dangerous police duties. This side of policing is seen as stressful but lacks the element of a threat to physical harm for the officer. Communications officers often encounter these events as well. They include: contact with other peoples' miseries and problems, handling suicide calls, aiding mentally ill persons, dealing with irate or hysterical individuals, and facing death (Terry, 1985). Even though the dispatcher does not physically see the deceased person, the dispatcher could be on the phone as the person dies or while the family reacts emotionally to the death. A research project completed by White *et al*. (1985) proposed that additional research be completed in an effort to provide additional empirically based results to more specifically define the sources of police related stress.

Their research was directed at more clearly defining the issues facing officers which impact reported stress. The responses were then divided into three groups depending on which facet of law enforcement was being discussed: physical/psychological threats, evaluation systems, and lack of support. The highest levels of stress were considered in the first category. These activities include: fear of being killed in the line of duty, fear of killing someone else, police chases, fights, etc (White *et al*., 1985). The second category contained aspects of the judicial system, promotion system, and pressure from the police culture (White *et al*., 1985). The last category was identified as problems with interoffice support, poor equipment, inadequate supervision, etc (White *et al*., 1985). This third category had a significant effect on the officers polled. Those who reported high stress in this category had higher levels of emotional exhaustion and feelings of depersonalization than the other officers. This is an interesting finding considering how this third category lists problems that are also substantial issues in the communications field. Job satisfaction and stress relationships were typical. As stress increased the level of job satisfaction decreased and the result was a higher desire to quit (Byrd *et al*., 2000). Those with the lowest reported job satisfaction also reported overwhelmingly the highest desire to quit (Byrd *et al*., 2000). Those least satisfied in their work have been at their positions for the longest duration (Byrd *et al*., 2000). Perhaps these individuals started their employment unaware of the actual stress they would endure or with dreams of using the position as a stepping-stone to another position (such as a patrol officer). This attitude is common in the communications field as well.

Most of the early studies focused primarily on accountants in public accounting. In their study, Collins and Killough (1992) used the individual job stressor scale from the Ivancevich and Matteson (1983) Stress Diagnostic Survey (SDS) to gather data concerning the various types of job stressors among a national sample of US public accountants. They reported that career progress, job scope, and role ambiguity were the job stressors most associated with job dissatisfaction and the propensity to leave public accounting. Sanders *et al*. (1995) used the same SDS individual scales in their study of job stress in public accounting and reported similar results.

Gavin and Dileepan (2002) used both the organizational and individual job stressor scales from the SDS questionnaire in for their study of management accountants. They reported that rewards and human resource development were among the most stressful organizational stressors. The most stressful individual job stressors identified were time pressure, quantitative overload, and career progress.

A few studies have focused on internal auditor job stress. Wood and Wilson (1988) conducted a major research project concerning the behavioral aspects of internal auditing for The Institute of Internal Auditors. As part of this study they identified role stress as a major issue among internal auditors. Pei and Davis (1989) studied the impact of organizational structure on internal auditor Organizational-Professional Conflict (OPC) and role stress. Their results indicated a direct positive relationship between OPC and role stress.

Brown and Mendenhall (1995) investigated the stress involved with specific components of the internal auditor's job. They reported that high stress levels are related to time pressures, relationships with auditees and supervisors, and business travel. However, none of these studies of internal auditor job stress utilized the Ivancevich and Matteson (1983) Stress Diagnostic Survey. Another survey conducted by Larson (2004) showed that internal auditors because of several stressors have great stress compare than other jobs. Psychologists and sociologists have long been interested in the functions and significance of job attitudes (Hoppock, 1935). A primary job attitude to which considerable attention has been paid is job satisfaction. Locke (1976) estimated that by 1975, more than 3000 articles and dissertations had been written on this subject. Recently, commentators have suggested the number is probably twice as great as Locke's estimate (Sweeney *et al*., 2002).

Reasons which have been offered for the sustained interest in job satisfaction include:

- Humanism (people spend so much time at work, they have a right to derive satisfaction and fulfillment from it)
- Costs in general of mental and physical health of poor job satisfaction
- The relationship between job satisfaction and levels of turnover and absenteeism in organizations
- Public relations benefits to organizations of having satisfied workers

Now days, one of the most researched areas is the relationship between job satisfaction and job performance. As mentioned above majority of researchers came to conclusion that job satisfaction has a direct relation with job performance.

One of the tough jobs in economics areas is auditing namely external auditing and internal auditing as well. The aim of this study is determined that which kinds of auditors have more job satisfaction?

Results of these studies are mixed. Barkman *et al.* (1986-1987) compared accountants employed in public accounting, industry and government and concluded that overall satisfaction among employees was high. Nevertheless, public accountants were most satisfied, followed by those in industry and government.

Reed and Kratchman (1987) compared accountants employed in public practice and industry, and found no significant difference in levels of job satisfaction which, overall, were high. However, a later study by the same authors found higher levels of satisfaction among industrial accountants than those in public practice.

Kreuze (1988) compared accountants in public accounting, corporate accounting, government accounting and financial institution accounting. He found that the sample overall was satisfied, regardless of job type or employing organization. There were however, variations in respect of different facets of job satisfaction among job types. Ang *et al.* (1993) compared government auditors, internal auditors, non-auditor accountants and external auditors in Singapore. Their results indicated that job type did have a significant effect on job satisfaction, especially when taken in conjunction with age.

Petzall *et al.* (1997) in a study of Australian accountants found that while job satisfaction was high across all categories (public accounting, commerce and industry and government) those employed in the private sector were more satisfied to a statistically significant extent. By way of explanation, they pointed to the more bureaucratic setting of government, as compared with private sector organisations, together with the higher rates of pay in the latter.

The IA role is unique because the IA is an agent that monitors the actions of another agent (management), both of whom are employed by the same principal (Adams, 1994). The author discusses the role of agency theory in explaining the role of internal auditing within different organizations. He proposes that agency theory can be used as a framework to explain several phenomena within the internal auditing profession. IA plays an important role in evaluating the effectiveness of control systems, and contributes to an ongoing effectiveness of the organization.

Lara and Peter (2007) study on Maltese internal audit unit, identifies organizational and cultural barriers that are keeping the IA out of reach of its potential benefits. IA plays a crucial role in the spread of "best practices" through their own developed company wide network (risk and control communication).

Management often benefits from IA as a bench marking source for the effectiveness and efficiency of their risk assessment and internal control practices. Communication role contributes to the creation or further improvement of risk and control awareness.

Internal auditing organization believed it essential only that they had a charter.

Audit charter described such items as authority, responsibility, method of operation, position in the organization and reporting structure but it is not enough (Mort, 2001).

PROBLEM STATEMENT

The increasing complexity of business transactions together with a more dynamic regulatory environment in the Asia region has created pressure on the internal audit profession due to the expectation for the function to continue to change. Financial reporting improprieties and business failures in companies such as the Satyam Group in India, Enron, AIG and Lehman Brother in USA, Megan Media and Transmiles in Malaysia have focused attention on the internal audit function. Likewise, recent changes in auditing methodologies are due to the rapid changes in economic complexity, expanded regulatory requirements and technological advancements. These changes have led to the audit profession expanding its function to support management, provide services to other organizational functions, and generate direct reporting links to the audit committee. The audit profession is rapidly advancing in response to changes in its environment.

Internal auditing has undergone dramatic changes that have expanded its scope in a way that allows it to make greater contributions to the organization it serves (Ernst and Young, 2008; Fadzil *et al*., 2005).

However, the varying roles of IA in some situations create role ambiguity (Lawrence and William, 2007; Glascock, 2002; Flesher and Zanzig, 2000; Cooper *et al*., 1996; Budner, 1962). According to Jackson and Schuler (1985), role ambiguity has a negative relationship with autonomy, job tenure, and job performance. Role ambiguity is also negatively associated with the job performance of auditors (Viator, 2001). Authority has been studied in a wide variety of occupational and professional settings. Specifically, authority within the internal audit profession has been studied since several years (Van Peursem, 2005, 2004). So it leads some problem to occupations. According to Cranwell-Ward and Abbey (2005), stress occurs when there is perceived imbalance between pressures and coping resources for a particular situation.

Stress can be described in 4 different ways, depending on the level of pressure:

- **Hypo-stress:** Cause of stress may sometimes be boredom or too little pressure and often can take the form of frustration, indifference, depression, and pent-up emotion
- **Eu-stress:** When an individual is under the influence of optimum pressure one usually thrives and makes the most out of one action. This is also known as the stimulating side of stress, or "stress arousal". It helps

employees to uncover their hidden mental and physical abilities.

- **Hyper-stress:** This situation happens when pressure becomes extreme. The hyper stress reactions may vary from person to person and even for the same person, from situation to situation. In this phase, one is very likely to feel panicked, out of control, and even unable to cope with a given situation.
- **Distress:** After a continuous stress within one individual, the one experiences distress. This might have negative effect or costs for both the individual and the organization.

In addition, the individual is most likely to experience health problems and a wish to get away from the situation. When being too high, stress is seen negatively (Cranwell-Ward and Abbey, 2005).

Hypothesis development: Characteristics of professional status if endangered could weaken professionalism. The nature of professionalism is itself embedded in anxiety and tension. Thus, professionals often experience conflicting sense of duty.

The agency theory suggests that if internal auditing wants to be respected as a profession, IA have to act and be seen to be acting professionally at all times (Adams, 1994).

The role of an IA within a firm should become clearer for them over time. Roles mean a set of expectations for behavior which are poorly communicated and potentially dysfunctional (Kahn *et al*., 1964). This condition related to issue of clarity (role ambiguity). The expectation that role ambiguity will also be related to professionalism for internal auditing finds its basis in conflicts between the professional and organisational norms (Chambers, 1995). The high degrees of uncertainty in professional endeavors (Lortie, 1975) relates to the lack of confidence that an employee perceives about his or her responsibility and authority within the firm (Lawrence and William, 2007). Professionalism involves a certain degree of decision making, but in a way that is not solely technical (Paton, 1971). Nevertheless, too much unresolved in the work may hinder with the appearance of professional authority.

Meyer *et al*. (2002) suggest a somewhat positive association between role ambiguity and continuance commitment. The basic understanding of IA's role is one of the fundamental "checks and balances" for sound corporate governance.

A robust and objective IA with the skills to identify risk control problems and the authority to pursue its concerns is essential to the proper discharge of responsibilities. A strong internal audit activity should be able to influence management and the idea of cruciality explores the situation where management will be more likely to accept a recommendation if the internal audit team exhibits a strong sense of authority (Van Peursem, 2004).

Authority appeared to be achieved by the IA shaping his role from "nothing" and convincing management. In other instances the IA was instrumental in "growing" the internal audit division and their influence seems to spring from their ability to structure the department or to employ staff which fit their criteria.

In other cases it was how the auditor was able to influence the contract affixing the auditor's role, such as the Audit Charter, their employment agreement or the engagement contract. In contrast to the consultant role, independence from management is a dominant feature of IA's authority. Therefore, those IA that are able to set their own agenda seem to be the most powerful in this respect because their selection of what to audit and when can include assessments of senior management as well as assessments for them (Van Peursem, 2005).

So the following hypotheses are postulated in the study:

- Internal auditors perceive lower authority than external auditors
- Opportunities' recognition in internal auditors is lower than external auditors
- Internal auditors have lower level satisfaction from supervisors than external auditors
- Internal auditors perceive that they cover lower clients' demands than external auditors

Reliability analysis: Some modifications are made to the questionnaire that was adopted from previous research. Therefore, Cronbach's Alpha (α) for each item was tested.

Cronbach's Alpha determines the internal consistency or average correlation of items in a survey instrument to gauge its reliability (Cronbach, 1951). Based on the analysis, communication role has to be deleted as the Cronbach Alpha value was only 0.39 which is lower than 0.5. Nunnally (1978) suggested, an alpha of 0.5 or 0.6 is sufficient at research's early stages. Since the Alpha value for communication is lower than as

Table 1: Details of participants of the study

Item	Gender	Number	Percent
Gender	Male	15	19.70
	Female	76	80.30
Educational records	Bachelor	63	82.90
	Master	13	17.10
	PhD	0	0.00
Field of the study	Accounting	50	65.80
	Management	19	25.00
	Economics	2	2.60
	Others	5	6.60
Age	20-25 years old	12	15.80
	26-30 years old	21	27.60
	31-35 years old	18	23.70
	Upper than 35 years old	25	32.90
Experience	Less than 5 years	27	35.50
	6-10 years	18	23.70
	11-15 years	11	14.50
	16-20 years	10	13.20
	More than 20 years	10	13.20
Job position	Internal auditor	38	50.00
	External auditor	38	50.00

Table 2: Results of testing of hypotheses

Hypotheses	Item	No	Mean	S.D	Mann-whitney	t-test	d.f	Sig.
First hypothesis	Internal auditor	38	9.578	1.368	2.023	2.373	74	0.043
	External auditor	38	10.21	0.905				
Second hypothesis	Internal auditor	38	7.236	2.032	2.376	2.367	74	0.017
	External auditor	38	8.263	1.734				
Third hypothesis	Internal auditor	38	9.052	1.505	3.300	3.566	74	0.001
	External auditor	38	10.21	1.318				
Fourth hypothesis	Internal auditor	38	14.894	2.929	1.409	1.231	74	0.159
	External auditor	38	15.71	2.846				

suggested by previous literature, the communication role was excluded for further statistical analysis. After the initial cleaning of the construct, the result of the reliability test shows that the questionnaire design is highly reliable, and the collected data are highly reliable and consistent (α = 0.05). Overall Cronbach's Alpha value after the initial cleaning is 0.857 and it was highly reliable. The Alpha Coefficients ranged from 0.73 to 0.96. The higher the Alpha is, the more reliable the test is.

Therefore, this is consistent with Nunnally (1978) who reveals there isn't a generally agreed cut-off but usually 0.7 and above is acceptable.

In this study data contain both primary and secondary data. Valuable data were collected from different journals, websites and books. In order to testing of hypotheses the seven scale likert's questionnaire adopted from previous study. Totally 100 questionnaires were distributed among the auditors, namely 100 to external auditors and 100 to internal auditors in Iran. Out of 100 questionnaires 76 useable questionnaires were collected during the end of November 2009. The respondents' rate stood at 76%. In it interesting to note that 38 usable questionnaires were collected from external auditors and 38 useable questionnaires were collected from internal auditors respectively (50% from external auditors and 50% from internal auditors). Table 1 shows the different details of participants of the study.

According to Table 1 majority of participants were male with number of 61 (80.30%) followed by 15 female participants (19.70). Regarding educational background as Table 1 showed, 63 of participants hold bachelor degree (82.90%) followed by 13 master degree participants (17.10%); it is important to note that none of the participants hold PhD degree. About field of the study, 50 participants have studies in accounting field; followed by 19 participants in management subject (25.00%); least number of participants have studied economics field (2.60%). With regard to the age of participants, majority of participants (32.90%) had more than 35 years and least number of participants had age between 20-25 years old (15.80%). With regard to participants' experiences as Table 1 revealed vast number of participants had less than 5 years experience (35.50%) followed by 18 participants with 5-10 years experiences. 20 participants had more than above 15 years experiences. Regarding job position as it mentioned earlier, 50% of participants were internal auditors and 50% were external auditors.

Testing of hypotheses: In order to testing of hypotheses because of coming to strong conclusions both parametric and non-parametric statistical tools were employed. Ordinal as well interval data caused to use T-test and Mann-Whitney U Test in the study. Table 2 shows the results of testing hypotheses.

Regarding to first hypothesis, as Table 2 shows the results of Mann-Whitney U Test and T-test stood at 2.023 and 2.373, respectively. Further the level of signification stood at 0.043. So, according to these results H_0 rejects and H_1 accepts; in other words, internal auditors perceive lower authority than external auditors. Furthermore, regarding to mean degrees of two participants (Internal auditors and external auditors) as it is shown mean degree of internal auditors and external auditors stood at 9.578 and 10.210, respectively. So, it can be concluded that internal auditors have lower authority than external auditors.

About second hypothesis which Table 2 showed the results of this hypothesis; with regard to Mann- Whitney, T-test results which stood at 2.376 and 2.367, respectively the research hypothesis is accepted and null hypothesis rejected. In other words, opportunities' recognition in internal auditors is lower than external auditors.

Table 2 revealed the results of third hypothesis also. According to Table 2, the research hypothesis also accepted alternatively the null hypothesis is rejected. In other words, internal auditors have low level satisfaction from supervisors than external auditors. With comparison of Mean degrees it can conclude that the mean degree of internal auditors (9.052) is lower than external auditors (10.210). So, strongly the research hypothesis is accepted.

Regarding to testing of last hypothesis as it shown in Table 2 the amounts of Mann-Whitney Test, T-test, and signification level stood at 3.300, 3.566 and 0.159, respectively, which according to these results the null hypothesis strongly rejected and research hypothesis is accepted. In other word, internal auditors perceive that they cover lower clients' demands than external auditors.

CONCLUSION AND REMARKS

It is essential to understand what performance means in order to improve and manage it well. "perform'' means to begin and carry through to completion; to take action in accordance with the requirements of; fulfill (Gilley and Maycunich, 2000). Job stress is a significant topic of interest for organizational researchers, managers, and society as a whole. It is of great importance, since job stress is one of the factors of influencing individual work performance (Warr, 2002). The nature of the internal auditor's varying roles such as control oversight, decision support, risk management support, governance, system involvement, technical and intimidation role are determined from internal auditors themselves on how they perceive their work and clarify in what respect they enjoy role clarity. Results revealed that concluded that internal auditors have lower authority than external auditors. Further, internal auditors have low level satisfaction from supervisors than external auditors in Iran.

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