Middle-East Journal of Scientific Research 10 (3): 389-397, 2011
ISSN 1990-9233

The Impact of Internal Audit Function Quality on Audit Delays

[1]Zohreh Hajiha and [2]Azadeh Rafiee

[1]Department of Accounting, East Tehran Branch,
Islamic Azad University (IAU), Human Science faculty, Iran, Tehran
[2]Department of Accounting, Islamshahr Branch, Islamic Azad University, Tehran, Iran

Abstract: This paper examines the impact of Internal Audit Function (IAF) Quality on timeliness of independent audit reporting (IAR). Audit delay is the number of days between a firm's fiscal year-end and the audit report date. This delay causes unequal access to information for financial users, which this potentially decreases efficiency and effectiveness of accounting reports. In This research the data from 57 companies listed in Tehran Stock Exchange (TSE) from 2005 to 2009 was examined. These sample companies had provided internal audit reports and had submitted them to audit committees or board of directors. Data was gathered by survey method and questionnaires. Then, the effect of IAF quality on IAR period was examined. Pearson Correlation Coefficient and Logistic Regression were used to test the hypotheses. Internal audit objectivity, internal audit competence and internal audit size (IAS) criteria was employed as a measurement of internal audit function quality. The results indicate that objectivity and competence have a significant relation with audit delay, but internal audit size has no significant relation with audit duration.

Key words: Internal audit · Internal audit function quality · Audit delay

INTRODUCTION

Since management is responsible for provision of financial statements and internal control system, application of internal audit services to evaluate internal control system performance was progressively grown. Last changes in internal audit that led to neo-modern internal audit affected needs of a broad spectrum of users such as board of directors, top management, independent auditors and operational managers. In specialty audit texts, the best place for an internal audit department is under inspection of audit committee or board of directors because audit committee and board of directors are responsible for the reported audit performance; however, they have no authority in executive affairs. The current approach to decrease audit delay caused more research activities in this regard. For example, SOX404 rule, which has decreased audit reporting period from 90 to 60 days, indicated more rapid reporting [1]. According to the international standards the independent auditors can rely on works of internal auditors by examination of their work which it depends on the professional approach of each independent auditor. An auditor can increase efficiency of audit process using works of others.. Additionally, internal audit as a strong corporate governance mechanism can be important too. Corporate governance influences many corporate decisions related to R&D and fixed asset expenditures, acquisitions, leverage and cash holding and dividend payments [2], market value of the firm and risk managements [3]. In Iran, audit standard no. 30 deals with execution period of independent auditors and quality of their endeavor and standards no. 60 and 61 deals with using work of internal auditors by independent auditors and their performance evaluation. These Iranian audit standards emphasize on the importance of IAF quality and its impact on increasing audit delay. Also, the research result of Ansari [4] in Iran suggests that financial reports are very time-sensitive and therefore concluded that one of the effective factors on reporting period of independent audit is using internal auditors' functions [4]. Thus, internal audit can help management and independent auditors for entity-level controls by consultation and assurance services [5]. Therefore, in this research, we investigate the impact of IAF quality on

Corresponding Author: Zohreh Hajiha, Islamic Azad University, East Tehran Branch (Ghiamdasht), Khavaran Avenue, Ghiamdasht Complex, Bahonar Street, Tehran, Iran.
Tel: +989195821826.

timeliness of IAR. In this regard, IAF quality is measured by three criteria of objectivity, competence and internal audit size (IAS) which test their relationship with the extent of audit delay in Iranian context.

Theoritical Framework and Literuture Riview: The shorter the time between fiscal year-end and the time of audit report, the more valuable the information. In the process of provision of timely, relevant and dependable information, one of the useful factors is existence of an effective internal audit department and its communication with independent auditors. Definitely, relying of independent auditors on IAF causes resources organization optimization (in minor level) and follows social resources optimization (in major level) [6]. Because of continuous cooperation with economic department and tracking affairs, an internal auditor can be more effective. Also, an internal auditor usually adjusts type, nature and timing of audit methods and decreases the independent audit limits. Also, relying on IAF depends on factors such as desire of an independent auditor, ability, competence and objectivity of internal auditors in their function. This trust is possible when independent auditors can evaluate objectivity, IAF quality and other related features [7]. In this regard, we describe some previous related studies:

Pizzini *et al*. [8] examined the impact of IAF on IAR period by Pearson and Spearman Correlation Coefficients. She found that using works of internal auditors decreased IAR period for 4 to 6 days. She also found that qualitative features such as objectivity, competence and IAS affect IAR period [8].

Arena and Azzone [9] studied the effect of change of duties of staff of an audit firm, change of an audit firm and change of an operation director on reporting period. The results showed that changes of duties of staff of an audit firm and change of an audit firm with another equal firm had no significant effect on reporting period. But, change of an audit firm with a larger firm had a significant effect on reporting period [9].

Haslin Johari [10] examined reasons for elongation of audit function period and financial reporting of companies listed Malaysian stock exchange. The results showed that reporting period closely related to the type of industry, news and sale as a criterion for a company size that had a negative relation with timeliness of reporting [10].

Jang-Hua and Hui-Lin [11] studied elongation factors of audit reporting in Greece. They found that international audit firms provide an audit report more rapidly. Extra audit fee related timeliness of reporting. Conditional audit reports took more time if there were ambiguous items in annual reporting and extraordinary items in income statements. Other effective factors were possession type, profitability, gearing, number of affiliated firms, type of industry, relying on another auditor and change of auditor which they had no significant relation with reporting period [11].

Abdulrahman *et al*. [6] studied relations between internal and independent auditors of companies listed in stock exchange of Saudi Arabia. They found that experience and professional qualification not only affected rate of communication of internal and external auditors but also the trust rate of independent auditors on internal auditors. However, internal auditors of joint stock companies of Saudi Arabia were not skillful enough [6].

Raja and Raja [12] studied the most important reasons of elongation of audit period of companies in stock market. Their research hypotheses tested the relation of eight independent variables (IAF quality, inherent risk level, objectivity, audit report, professional ability, audit plan, experience and professional work) with reporting period (dependent variable). There were significant relations between all independent variables and the dependent variable (audit delay) except audit report [12].

However, there is no research that adopts directly with present research; there are also some related researches in Iranian context. For instance, the result of research of Hajiha [13] indicated that Iranian independent auditors believe installation and efficient responsibility of internal audit department in auditees is low in Iran [13].

Hasas Yeganeh and Alavi Tabari [14] studied the relation of resources consumed for internal audit and expenditures of independent audit. By examination of relations of objectivity, competence and IAF quality with independent audit expenditures, he found that existence of internal auditor decreased independent auditor fee because of its effect on effective examination scope and this effect would increase when management level of director of internal auditor was higher than administrative & financial deputy [14].

Nikbakht [15] studied effective factors on reliance of independent auditors on internal auditors. Their results showed that variables of professional qualification, function quality, professional care and inherent risk level of internal auditors had positive significant relations with the trust [15].

Kashanipur *et al*. [16] fulfilled a study titled “An analytical study of relation between items of financial statements and audit reporting period”. They found that variables such as current assets and current liabilities had the most correlation with the dependent variable [16].

Development of Research Hypotheses: In this research, three indices of objectivity, IAS and competence were used as measures of function quality of internal audit departments, which will be tested in the following hypotheses. Examination of role of IAF quality indicates that internal audit can help management for internal control of an organization because of its objectivity and skill. However, if there are control problems in internal audit, managerial programs must solve them. Also, international unsuccessfulness of independent audit in early of 2000 (like Enron case) motivated eager of independent auditors and report users to decrease independent audit reporting (IAR) period. Shortening the audit period also can decrease resources consumed. By establishment of a qualitative internal audit department in organizations, independent auditors can rely on their function and this function quality decreases control risk of independent auditors. These hypotheses that decrement of efforts of independent auditors by rely on IAF quality cause decrement of reporting period, concludes the following our research hypotheses:

- Objectivity of internal audit has a negative significant correlation with IAR period.
- Internal audit size has a negative significant correlation with IAR period.
- Competence of staff of internal audit has a negative significant correlation with IAR period.

Methodology: We employed survey method to examine the hypotheses via a questionnaire tool, however, we obtained some data from financial reporting and audit report about audit delay and control variables. Time period of this research was year 2010, because questionnaires were distributed and gathered in that year.

Statistical Population and Sample: Statistical population of this research is companies listed in TSE. To make a homogenous sample from this population, those companies with an active internal audit department, with fiscal year ended on the end of Iranian calendar year (Mar. 20) and with accessible and reliable data were selected. Required data extracted from Market Management of Statistics and Information Department of Tehran Stock Exchange. However, there were 101 companies in TSE having an internal auditor, 62 companies were selected by systematic filtering sampling.

Data Gathering Method: In this research, questionnaires were used to gather data. This questionnaire extracted from the research of Pizzini *et al*. (2010) [8] with some modifications for Iranian context. Respondents were asked to respond in 5 Lickert Scale. Some necessary information also was extracted from companies audited financial statements and notes published by TSE.

Validity and Reliability of Questionnaire: Before distribution of questionnaires, some experts were asked to study the questionnaire. The final questionnaire constructed from 5 questions on respondents, 7 questions on internal audit department and 11 questions about the research subject. Also, Cronbach's Alpha was used to evaluate reliability of the questionnaire [17]. Alpha coefficient for Lickert scale values were 0.778 for competence and 0.787 for objectivity (both more than 0.7) that shows high integration among the questions.

Research Model and Variables: Audit delay is dependent variable of this research. For evaluating of IAF quality, we used three criteria in constant with previous studies, so independent variables are objectivity of internal audit, internal audit size and competence of internal auditors. However, previous researches show that other factors such as financial position, changes of independent auditor, financial leverage, company size, extraordinary items, operational loss and going concern of the firm can affect audit delay rather than IAF [18-21]. Because of some limitations, in this research, operational loss, extraordinary items, size, change of auditor, going concern situation and financial leverage were used as control variables.

Regarding to the hypotheses and variables of the research, a multiple regression model was used. The research model can be seen in relation 1:

$$Audit\ delay = \beta 0 + \beta 1\ Objectivity + \beta 2\ IAS + \beta 3\ Competence + \mu 1\ Size + \mu 2\ Leverage + \mu 3\ Audit\ change + \mu 4 Concern + \mu 5\ Extra + \mu 5\ Loss + \varepsilon \quad (1)$$

According to the research model, operational definitions of our variables are as below:

Audit Delay: Audit delay is the number of days between a firm's fiscal year-end and the audit report date.

Objectivity: Objectivity indicates submission of function report of internal audit manager to audit committee or board of directors. If an internal auditor submits the internal audit report to the audit committee or to board of directors, then its measurement index is 1. Otherwise, the index is zero [22].

Internal Audit Size (IAS): It includes total employees of internal audit department. We used from questionnaire to gather this variable. It is assumed that more employees in internal audit department show more qualified performance.

Competence: To measure internal audit competency we used of a mixture of four variables of experience, professional training, academic education and professional certificates. These variables were measured by giving value 1 to the average of samples [8]. In other words, if the internal audit department has a score higher than the average of whole audit departments in the sample, we would assign 1 to it, otherwise, zero. These variables are:

Experience: The average number of experience per years of staff working in an internal audit department.

Training: The average number of hours that the staffs were trained about their work.

Education: The average number of years that internal auditors were trained in associate degree or higher (associate degree = 2 years; bachelor degree = 4 years; master degree = 6 years; PhD = 8 years).

Certificate: Being a member of Iranian certified accountant (a member = 1; not a member = 0).

Company Size: we used from Logarithm of total assets to measure the size (according to Hejazib *et al*.(2011) [23]).

Financial Leverage: We employed total assets to abilities ratio to measure the leverage. Increment of this ratio indicates lower ability to settle abilities of a company (this measure is also employed by Hooy and Lee (2010) [24].

Change of an Independent Auditor: A change = 1; not a change = 0

Going Concern Situation: If IAR indicates Going Concern situation = 1; otherwise = 0

Table1: Statistical data for respondents

Variables	Secondary variable	Frequency	Frequency%
Gender	female	12	21.1
	male	45	78.9
EducationóAcademic	bachelor	3	5.3
	Bachelor in Accounting	38	66.7
	Master	7	12.3
	Mater in accounting	7	12.3
	PHD in accounting	2	3.5
Age of respondents	Under 30 years	8	14
	Between 31 to 40	28	49.1
	between 41 t0 50	14	24.6
	More than 50 years	7	12.3
Experience of internal auditors	Under 3 years	36	63.2
	between 5 to 10	16	28.1
	between 11 to 15	4	7
	Between 16 to 20	1	1.8
Experience in auditing	under 5 years	35	61.4
	Between 5 to 10	15	26.3
	Between 11 to 15	4	7
	Between 16 to 20	3	5.3
Experience in accounting	Under 5 years	35	61.4
	Between 5 to 10	11	19.3
	Between 11 to 15	5	8.8
	Between 16 to 20	5	8.8
	More than 20 years	1	1.8
Organizational position	Employee accounting	2	3.5
	Employee	1	1.8
	Internal auditor	19	33.3
	Senior auditor and supervisors	35	61.4

Extraordinary Items: If there is an extraordinary item in financial statements of companies for a variable = 1; otherwise =0

Operational Loss: If there was a loss in the last year = 1; otherwise = 0

Reaserch Findings: The research findings were reported at two levels. First, descriptive statistical findings will be reported. Second, the results of examination of research hypotheses will be reported.

Descriptive Statistics of Research

General Information for Respondents: In this research, respondents of questionnaires were the internal audit departments's staff of the companies listed in TSE, which were 63 companies. So we sent 63 questionnaires and 57 questionnaires were returned. Table 1 indicates information for respondents.

In this research the position of an internal audit department was examined by three indices: specialization of staff (we measured it by the familiarity of information systems, accounting soft wares and professional English language), membership in the professional associations (we used from the membership of Iranian Association of Certified Public Accountants (IACPA)) and company age. The results are shown in Table 2.

Questions of Research: Research data of competence was measured by 10 questions in a five scale Likert questionnaire. These questions are in the subjects of IAF competence. The results of Table 3 indicates the number and percentage of respondents in each scale (from Very little to Very much).

Descriptive Statistics of Research Variables: In this research, three independent variables with interval scale, four control variables with nominal scale and two control variables with scale value were measured. Also, the dependent variable was measures by nominal scale. Central and dispersion Statistics were used to introduce and describe research variables. The results are shown in Table 4.

As it can be seen in the Table 4, descriptive statistics of competence variable as an independent variable with average 3.246 and standard deviation 0.626 has negative skewness and extension. Deviation of skewness and extension coefficients are less than absolute of 1.96, which indicates a symmetric normal distribution and the variable is relatively normal. In addition, descriptive statistics of objectivity variable as an independent variable with average 2.667 and standard deviation 0.577 has negative skewness and extension. Deviation of skewness and extension coefficients is less than absolute of 1.96, which indicates a symmetric distribution. Furthermore, descriptive indices of IAS variable as an independent variable with average 2.539 and standard deviation 2.806 has positive skewness and extension. Deviation of skewness and extension coefficients are less than absolute of 1.96, which indicates a symmetric distribution. Descriptive statistics of leverage variable as an independent variable with average 0.629 and standard deviation 0.218 has negative skewness and extension. Deviation of skewness and extension coefficients are greater than absolute of 1.96, which indicates an asymmetric distribution. Finally, descriptive indices of size variable as an independent variable with average 12731135.702 and standard deviation 41346144.098 has positive skewness and extension. Deviation of skewness and extension coefficients are less than absolute of 1.96, which indicates a normal distribution. For IAR period as a dependent variable, 77% of sample companies were timely (they had timely audit report) and 23% had delays out of 57 companies. In other words, most sample companies were timely.

For going concern situation as a control variable, 2% of companies had important problems in going concern and 98% did not have any problems out of 57 sample companies. Also, for extraordinary items, 96% had no extraordinary items in their financial statements and 4% had extraordinary items out of 57 companies. Finally, for auditor change as a control variable, 84% have not changed auditors and 16% changed auditors.

Examination of Data: Since independent variables' data was measured by scale values and dependent variables' data was measured by nominal scale and the sample size is large enough, therefore, a logistic regression test and analysis can be employed.

Hypotheses Testing Results: There are three independent variables in the research model. First we must test the significance level of total model. Omnibus test index and statistic, evaluates total model, with an error level less than 0.05 (Sig=0). Thus, total model fits and is significant. The statistics are shown in Table 4.

Table 2: Descriptive statistics for position of an internal audit department

Variables	Alternative responds	Frequency	% Frequency
specialization of internal audit staff	NO	9	15.8
	YES	48	84.2
membership in IACPA	NO	22	38.6
	YES	35	61.4
The age of internal audit department	Very little	3	5.3
	Little	16	28.1
	Middle	13	22.8
	Much	25	43.9
	a lot	0	0

Table 3: Mode, median and frequency for responds of competence variable

	Very little		little		Middle		much		Very much			
	----------		----------		----------		----------		----------		Median	Mode
Questions	num	%	num	%	Num	%	num	%	num	%	-	-
The usage of existing application systems	4.0	7.0	5.0	8.8	19.0	33.3	14.0	24.6	15.0	26.3	4.0	3.0
utilizing from IT in IAF	2.0	3.5	10.0	17.5	24.0	42.1	17.0	29.8	4.0	7.0	3.0	3.0
The usage of competent and experienced persons to IAF	3.0	5.3	4.0	7.0	5.0	8.8	30.0	52.6	15.0	26.3	4.0	4.0
impact of specialized courses inside the firm	0.0	0.0	3.0	5.3	26.0	45.6	19.0	33.3	9.0	15.8	3.0	3.0
Impact of specialized courses outside the firm	0.0	0.0	9.0	15.8	19.0	33.3	20.0	35.1	9.0	15.8	4.0	4.0
Intermittent and continuous training	3.0	5.3	8.0	14.0	25.0	43.9	17.0	29.8	4.0	7.0	3.0	3.0
research and study of the internal audit staff	11.0	19.3	22.0	38.6	17.0	29.8	5.0	8.8	2.0	3.5	2.0	2.0
Professional activities of staff	5.0	8.8	19.0	33.3	22.0	38.6	11.0	19.3	0.0	0.0	3.0	3.0
Promoted based on job evaluation	2.0	3.5	12.0	21.1	20.0	35.1	18.0	31.6	5.0	8.8	3.0	3.0
Cooperation between internal independent auditors	3.0	5.3	15.0	26.3	25.0	43.9	11.0	19.3	3.0	5.3	3.0	3.0

Table 4: Descriptive Statistics of independent and control variables in interval and scale values

Research variables	Type of variable	Num	Average	Standard deviation	Variance	Skewness	extension	Skewness coefficients	Extension coefficients
Competence	independent	57	3.246	0.626	0.392	-0.064	-0.381	-0.83	0.212
Objectivity	independent	57	2.667	0.577	0.333	-0.424	-0.288	-1.099	0.249
IA size	control	57	2.539	2.806	7.874	2.894	8.657	0.037	0.045
leverage	control	57	0.629	0.218	0.048	-0.295	-0.027	-11.737	0.637
Company Size	control	57	12731136	41346144	1.709515	4.442	19.994	0.016	0

Table 4: Results of Omnibus test for fitness of total model

Test	Chi-square	Degree of freedom	Sig.
Step	23.56	3	0
Block	23.56	3	0
Model	23.56	3	0

Table 5: Results of examination of coefficients of model identification

2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
37.651	.339	.514

Pseudo coefficients including Cox & Snell R Square and Nagelkerke R Square are between 0.339 and 0.514, which indicate power of identification of timeliness audit and delayed audit by independent variables of competence, objectivity and IAS that is between 0.34 and 0.51. Its indices are shown in Table 5.

Wald test index showed that independent variables of competence and objectivity had a significant effect on the dependent variable, but IAS had no significant effect on audit period. These results were obtained by error level less than 0.10 for Wald test. In two-tailed logistic regression analysis, acceptation or rejection criteria for significance of effects of independent variables is error level less than 0.10. In this model, independent variables of competence and objectivity had an error level less than 0.10 and independent variable IAS had an error level greater than 0.10. Since the sign of beta statistic of variables are negative, then effects of independent variables of competence and objectivity on the dependent variable (audit delay) is reverse and significant. However, IAS variable has a reverse but not significant effect. The results are shown in Table 6.

Explanatory power of model is ratios observed in a category of the dependent variable (the category of delayed or timely independent audit) to the expected response in the same category which is shown in Table 7.

Table 6: Test results of independent variables impact on the dependent variables

Variables	Indices	B	S.E.	Wald	df	Sig.	Exp(B)
Competence	x1	-2.038	0.915	4.967	1	0.026	0.13
Objectivity	x2	-1.978	0.854	5.359	1	0.021	0.138
IA SIZE	x3	-0.496	0.338	2.152	1	0.142	0.609
Constant	-	11.037	3.659	9.099	1	0.003	62123.328

Table 7: Results of classification of observed and anticipated situations of dependent variable

Variables	Indices	B	Predict				
				Audit delay		Observations	
Competence	x1	-2.038	%correct				
Objectivity	x2	-1.978	95.5	2	42	Timeliness performance audit	Audit delay
IA SIZE	x3	-0.496	61.5	8	5	Performance audit with delay	
Constant	-	11.037	87.7			% total	

Table 8: Test results for effects of independent and control variable on the dependent variable

Variables	Indices	B	S.E.	Wald	df	Sig	Exp(B)
Competence	x1	-1.98	1.02	3.769	1	0.052	0.138
Objectivity	x2	-1.804	0.862	4.38	1	0.036	0.165
IA Size	x3	-0.435	0.489	0.792	1	0.374	0.647
Leverage	z1	-1.435	2.295	0.391	1	0.532	0.238
Size	z2	0	0	0.376	1	0.54	1
Going concern	z3	-1.235	1.54	0.96	1	0.751	0.236
Extraordinary	z4	1.316	1.677	0.616	1	0.433	3.729
Change Audit	z5	-1.85	1.854	0.996	1	0.318	0.157
Loss	z6	-18.505	15544.7	0	1	0.999	0
Constant		-5.381	40193	0	1	1	0.005

This is a contingency table, which shows truth and falseness of model in classification. The truth percentage indicated that there are 44 observations for timely audit and 13 observations for delayed audit out of 57, namely, about 77% of companies are classified correctly (in correct category) by independent variables. Generally, the precision of this model is about 88%. According to the results, logistic regression model is fitted as follows (relation no 2):

$$Y = 11.037 - 2.038\,x1 - 1.978\,x2 - 0.496\,x3 \qquad (2)$$

By entering the six control variables to the model no. 2, there was neither a significant change in the model nor a significant effect on audit period. According to this model, among nine major variables, competence and objectivity have negative and significant effects on audit period and the others are not significant. This model shows that competence and objectivity are two effective variables for audit period. The results are shown in Table 8.

Logistic regression was used to examine effects of the independent variables on the dependent variable. The results of hypotheses testing are as follows:

Hypothesis 1:

"IAF objectivity has a negative significant effect on IAR period."

Beta coefficient of IAF objectivity variable is -1.804 and its error level is 0.036 (Sig statistic). Since error level of IAF objectivity is less than 0.05, then the hypothesis is supported (at 95% confidence) and therefore, IAF objectivity has a negative significant effect on IAR period.

Hypothesis 2:

"IAS has a negative significant effect on IAR period."

Again Beta coefficient of IAS variable is -0.435 and its error level is 0.375. Since error level of IAF objectivity is more than 0.10, then hypothesis is not supported and IAS has no negative significant effect on IAR period (Sig level is more than 10% error).

Hypothesis 3:

"IA competence has a negative significant effect on IAR period."

Beta coefficient of IA competence variable is -1.980 and its error level is 0.052. Since error level of IA competence is less than 0.10, then the hypothesis is supported and IA competence has a negative significant effect on IAR period.

CONCLUSIONAND DISCUSSION

This paper examines the impact of Internal Audit Function (IAF) Quality on timeliness of independent audit reporting (IAR) in Iranian companies listed in TSE. Three indices of objectivity, competence and internal audit size were used to measure IAF quality according to related research. Test results indicated significant effect of IA objectivity and competence on IAR period. This result coincides with the results of Pizzini *et al*.(2010) [8]. As a result, when internal auditors submit their report to the audit committee or board of directors, undoubtedly independent auditors use and rely on their report (because of the objectivity and competency of internal audit work). In some countries, internal auditors are obliged to provide internal control reports to capital market, nevertheless, there is no such an obligation to internal audit in Iran. Independent auditors can rely on work of internal auditors if this will be obliged in Iran. Now, the relation between internal and external auditors is not so strong in Iranian context. Therefore, external auditor must perform all audit strategies and as a result, it would take much more time. Also, test results of hypothesis 3 shows that "IAS has no effect on IAR period" and this shows that independent auditors rely on IAF quality not the number of employees in an internal audit department. However, Pizzini *et al*.(2010) [8] signifies this relation. Consequently, by measurement of IAF quality variables we found that "increment of IAF quality decreases IAR period and quality factors are IA competence and objectivity, not number of employees (as a measure of internal audit size). Therefore, this offers an important outcome for managers organizing IAF toward increment of quality and participation with independent auditors. Also, independent auditors can develop their audit efficiency by using works of internal auditors.

In this research, we focused on examination of audit delay factors, so we helped reaction of market to audit reports. Frequency of 77% for IAR period (dependent variable, which is time distance between financial year-end and reporting period) shows that reporting period is shorter in those companies in which internal auditors cooperated with independent auditors. Although this research did not deal with audit risk, but the results show that higher IAF quality is, lower will be the audit risk. According to our results there are some interesting lines to future research:

- Study of effects of factors like audit opinion type, financial information, or existing policies in a company on internal audit execution period.
- Study of effect of IAF quality on other financial reports and report type of independent auditors.
- Since the research variables have different behaviors in different industries, it is proposed that this research will be done in each industry separately.
- Since this research was only done in those companies with an internal audit department, a similar research can be done in those companies without an internal audit department and compare their result with companies with an internal audit department.

REFERENCES

1. Lambert, T.A., K.L. Jones and J.F. Brazel, 2010. Unintended Consequences of Accelerated Filings: are Mandatory Reductions in Audit Delay Associated with Reductions in Earnings Quality? Working Paper. University of Massachusetts Amerherst.
2. Hajiha, Z. and J.A. Akhlaghi, 2011. Ownership Structure and Debt Maturity Structure: An Empirical Study on Iranian Firms. Middle-East J. Scientific Res., 9(6): 814-825.
3. Salehi, M., M. Hematfar and A. Heydari, 2011. A Study of the Relationship Between Institutional Investors and Corporate Value: Empirical Evidence of Iran. Middle-East J. Scientific Res., 8(1): 72-76.
4. Ansari, A., 2009. A survey on effect of variables of internal audit on the internal audit plan. Iranian Accounting & Auditing Review, 16,(56): 21-34(published in Persian).
5. Hajiha, Z., 2011. Fuzzy audit risk modeling algorithm. Management Science Letters, 1(3): 235-246.
6. Abdulrahman, A.M., J. Al-Twaijry, A. Brierly and D.R. Gwilliam, 2004. An Examination of the Relationship between Internal and External Audit in the Saudi Arabian Corporate Sector. Managerial Auditing J., 19(7): 929-944.
7. Albercht, T.S. and D. Stilery, 1993. what do internal auditors need to know?. Internal auditors, 65: 22-26.
8. Pizzini, M., L. Shu and M. Vargus, 2010. The Impact of Internal Audit Function Quality on Audit Delays. University College of Business and Public Administration: pp: 1-41.

9. Arena, M. and G. Azzone, 2007. Internal Audit Departments: Adoption and Characteristics in Italian companies. International J. Auditing, 11(2): 94-114.
10. Haslin, J., 2006. The Determinations of Audit Reporting lag: Evidence from Bursa Malaysia. Faculty of Accountancy, UITM.
11. Jang-Hua, H. and H. Hui-Lin, 2005, An Empirical Study on Effectiveness of Internal Auditing for Listed Firms in Taiwan, Internal Audit Conference. The Accounting Review, LVIII (2).
12. Raja, A. and A. Raja, 2003. audit delay and timeliness of corporate reporting Malaysian guidance, university of technology, Malaysian, 435: 765-778.
13. Hajiha, Z., 2012. Application of Delphi method for determining the affecting factors upon audit risk model. Management Science Letters, 2(1): 379-390.
14. Hasas Yeganeh Y. and H. Alavi Tabari, 2010. The relationship between resources devoted to internal audit and independent audit of expenses. J. Accounting Research, 4: 71-96.
15. Nikbakht, M., 2009. Factors in reliance on the work of internal auditors and independent auditors. Iranian Finance Research, 10 (26): 3-15, (published in Persian).
16. Kashanipur, M., H. Fakhari and H. Moradali, 2006. Relationship between financial and non-financial companies listed on the length of the run-time completion of the audit process in Tehran Stock Exchange. Iranian Finance Res., 1(1): 1-22. (published in Persian).
17. Aslan, S. and A. Erkus, 2008. Measurement of emotional intelligence validity and reliability studies of two scales. World Applied Sciences J., 4(3): 430-438.
18. Kinney, W.R.. and L.S. McDaniel, 1993. Audit delay for firms correcting quarterly earnings. Auditing: A J. Practice and Theory, 12(2): 135-142.
19. Ettredge, M.L., C. Li and L. Sun, 2006. The Impact of SOX Section 404 Internal Control Quality Assessment on Audit Delay in the SOX Era. Auditing: A J. Theory & Practice, 25(2): 1-23.
20. Leventis, S., P. Weetman, P. and C. Caramanis, 2005. Determinants of Audit Report Lag: Some Evidence from the Athens Stock Exchange. International J. Auditing, 9: 45-58.
21. Scwartz, K.B. and B.S. Soo, 1996. The association between auditor changes and reporting lags. Contemporary Accounting Res., 13(1): 353-370.
22. Nikkhah Azad, A., 2000. Audit conceptual framework, no121, Iran, Tehran, Iranian Organization Audit Publication, pp: 268-299, (published in Persian).
23. Hejazib, R., M. Abaszadeh and M. Ashoub, 2011. Earning management in the area of zero earning: a case study in Tehran Stock Market in Islamic Republic of Iran. World Applied Sciences J., 12(8): 1252-1259.
24. Hooy, Ch.W. and Ch.H. Lee, 2010. The Determinants of Systematic Risk Exposures of Airline Industry in East Asia World Applied Sciences J., 10(Special Issue of Tourism & Hospitality): 91-98.