



Studies On Auditing Communication in Organizations

Teodor Bivol¹

Abstract: Within any organization, communication plays a vital role in connecting different people, systems, processes and components, contributing to the fulfilment of the organizational function. Effective communication has been identified as a critical factor in determining the performance of internal audit in an organization. To achieve effective communication in audit activities, it is necessary to understand the means and channels through which communication objectives can be achieved. Communication audit is a process of exploring, examining, monitoring and evaluating the communication process within the organizational framework. Through this audit, the aim is to maintain established policies, procedures and operations, as well as to facilitate change. Similar to the financial or performance audit, the communication audit is important for any entity and should be performed regularly to keep everything in order and contribute to the overall success of the organization. If a manager does not pay attention to the communication audit, it is important that he also turns his attention to this aspect and makes the necessary changes. By carrying out the communication audit, possible improvements can be identified and changes can be made that bring added value to the organization. Thus, the communication audit is an essential process to ensure effective communication and to contribute to the long-term success of the organization.

Keywords: communication; organizational performance; organization; information; management

1. Introduction

Communication is the ability to transfer information and ideas between people or organizations. From a more technical point of view, communication can be defined as a two-way process of sharing ideas and feelings in an atmosphere of mutual

¹ PhD in progress, "Ion Creangă" State Pedagogical University, Republic of Moldova, Address: 1 Ion Creangă Str., Chisinau, Republic of Moldova, Corresponding author: bivol.teodor52@gmail.com.

understanding. It requires a speaker and a listener, or a writer and a reader (Moeller, 2009).

Effective communication with employees plays a key role in employee engagement and ultimately organizational performance. From this perspective, it is important to carefully analyze all internal communication activities to determine the level of effectiveness and, in particular, to identify opportunities for improvement to support the smooth running of the activity carried out.

Why is this relevant to employee communication? Because effective communication with employees leads to a higher level of engagement on their part (Tkalac, Verčič & Sriramesh, 2012). Overall satisfaction with internal communication, as well as the various dimensions of communication, are considered to be positively associated with employee engagement (Tkalac & Pološki, 2017).

Employee communication is a key factor in employee engagement, considering three essential dimensions:

1. Satisfaction with the feedback received;
2. Informal communication;
3. Communication during meetings.

Studies have confirmed that feedback, open channels of communication, communication between supervisors and employees, and information sharing with employees are essential factors that boost employee engagement.

In internal audit, efficient and effective communication is essential for the success of the organization. However, lack of effective communication remains a major audit problem in many organizations (Loss, 2000). Effective communication serves as a binder that connects the auditee, management and auditors within the organization.

Cutlip introduced the concept of the “7 C’s of communication” and explained the essential ingredients that effective communication must have (Cutlip, 2009).

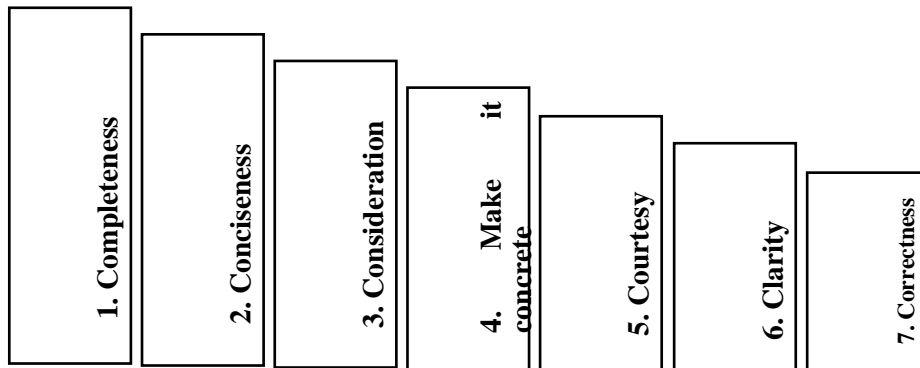


Figure 1. “The 7 C’s” of Communication”

Adapted from: Cutlip, S.M. (2009). *Effective Public Relations*.

There are seven essential principles of communication, known as the “7 C’s of Communication”, which outline the key ingredients of effective communication:

1. **Completeness** - Make sure the communication contains all the information needed to evaluate the content, solve a problem or make a decision;
2. **Conciseness** - Keep your message short and to the point, avoiding redundancy or unnecessary information;
3. **Consideration** - Consider the recipient’s needs, moods, and viewpoints. Be empathetic and tailor your message to be relevant to that person;
4. **Make it concrete** - Support your message with facts and figures so that it is solid and provides an objective basis;
5. **Courtesy** - Show respect for the recipient’s culture, values and beliefs. Be polite and avoid offensive or discriminatory language;
6. **Clarity** - Communication must be clear and specific, avoiding ambiguity or multiple interpretations. Use simple and direct language;
7. **Correctness** - Pay attention to grammar and syntax errors, as they can make the message difficult to understand and affect the credibility of the sender.

Applying these principles in communication helps to create an effective interaction and to ensure adequate understanding and receptivity on the part of the recipient.

2. Result and Discussion

Effective communication plays a crucial role within the organization as it reflects the relationship between the auditors and the audited entities. (Ignat, Sargu, Bivol & colab.2021) Developing effective communication skills, including listening skills, interpersonal skills, and written and oral communication skills, is an important component of an auditor's advancement potential. To become a successful professional, it is necessary for the auditor to possess highly developed communication skills.

The importance and necessity of effective communication skills in all organizational functions is also confirmed (Golen 2008, Bivol & Ignat 2020). In accordance with the IIA standards and previous research, the study of effective communication in auditing is necessary and will help to identify ways to improve the performance of internal auditors in the workplace.

Communication skills enable auditors to connect and communicate with members of the organization, thus ensuring the performance of effective audit functions (Anderson, 2012). A competent auditor understands the essence of face-to-face interaction and places great importance on it, ensuring that other modes of communication are secondary in achieving the objective of creating a solid bond between the internal auditor, the organization's staff and senior management (Ignat, Sargu & Bivol, 2020).

The end product of any audit engagement, whether it is an external or internal audit, is the audit report produced at the end of the audit. The reports must meet certain intrinsic qualities, which explicitly convey the meaning of the opinion expressed, so that the audited entity can decipher the content of the audit report. A quality audit report should have the following characteristics, as illustrated in Figure 2:

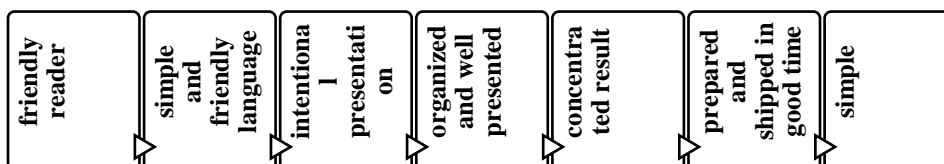


Figure 2. Presentation of the Qualities of a Good Report

In external auditing, the expression of an audit opinion can take a variety of forms, including:

1. Unqualified opinion - when the auditor believes that the financial statements are presented fairly in all material respects and in accordance with applicable accounting principles;
2. Qualified opinion - when the auditor identifies a certain limitation or reservation regarding the presentation of financial statements or compliance with accounting principles. This indicates a significant problem or violation of accounting rules, but is not serious enough to completely affect the financial picture of the organization;
3. Adverse opinion - when the auditor concludes that the financial statements are not presented correctly in all material respects and are not in accordance with applicable accounting principles. This indicates a significant problem that significantly affects the financial picture of the organization;
4. Disclaimer of opinion - when the auditor is unable to express an audit opinion due to significant limitations affecting his ability to obtain sufficient audit evidence or when there is significant uncertainty regarding major aspects of the financial statements.

These forms of audit opinions are illustrated in figure 3, in which the auditor expresses his position on the presentation and conformity of the financial statements.

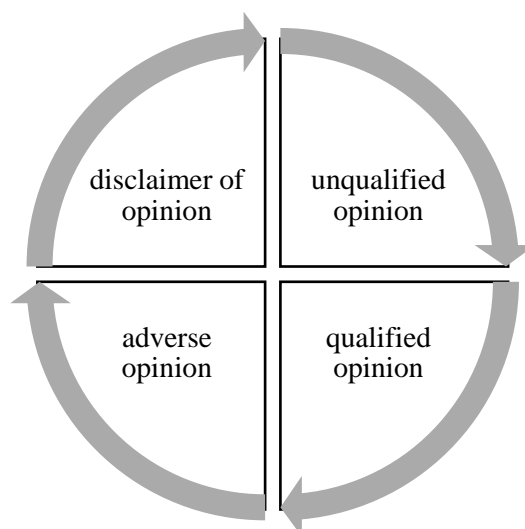


Figure 3. Presentation of the Types of External Audit Reports

However, in internal audit, there are different types of reports, such as routine report, special report, variance report and exception report, which are tailored to the issues being investigated. Internal audit reports are not mandatory and are created to meet the specific needs of management personnel who need information to make strategic decisions within the organization. Effective communication between the external auditor and the internal auditor can improve the quality of the external audit report because the external auditors rely on the work performed by the internal auditors. The existence of a solid internal control system established by management through the internal audit team, which ensures the integrity of the underlying records used to prepare the final financial statements, will help the external auditors form an opinion on the fairness and accuracy of the financial statement of the organization.

In this regard, Smith emphasized that auditors must develop excellent communication skills in order to progress and succeed in a complex, dynamic and varied audit environment within an organization (Smith, 2005). Thus, an auditor must improve his interpersonal, listening, written and oral communication skills to facilitate his performance and effectively carry out his responsibilities.

The communication audit is clear because it identifies obstacles and deficiencies in a process, not at an individual level. Data from a communication audit is collected in a number of ways, depending on the size, culture, formality, and complexity of the organization, division, or work unit being analyzed. Common techniques include observations, interviews, questionnaires, critical incidents, network analysis, content analysis, and communication journals (Quin & Hargie, 2004).

The communication audit is a valuable method of assessing the state of communication and initiating an improvement strategy. It provides a starting point, a general basis of comparison. It may be what is needed to make senior management aware of the importance of improving communication. Then, a strategic communication audit can identify specific areas that need attention.

A strategic communication audit is a systematic, formal and/or informal analysis of an organization's communication practices. It provides an overview of what is working well, what is not working and what could work better by making changes. Such an audit does not examine every communication activity in detail; instead, it is used to analyze the positioning of communication within the organization, the strategic level at which it operates, and its ability to contribute to better productivity and efficiency.

We believe that there are several advantages of conducting a communication audit:

- The communication audit demonstrates to senior management that the person responsible has a strategic approach.
- Audit interviews allow the identification of perceived problems that manager's face, providing an excellent opportunity to use communication in solving these problems.
- It encourages managers to take a more strategic perspective on communication activities.
- Audits provide valuable data for the development and restructuring of the communication function.
- Audits can facilitate intermediate corrections of communication programs.
- Valuable information about barriers, blockages or misunderstandings in communication can be discovered.
- Audits can be carried out either internally by public relations staff or externally by specialist consultants.

Key communication practices can be divided into three main categories:

1. Strategy - involves planning and developing a coherent and effective communication strategy.
2. Implementation - encompasses the joint communication activities carried out within the organization to deliver key messages and engage with target audiences.
3. Support and Alignment - involves activities that are not directly related to communication but contribute to the success of the communication function, such as managing media relations, media monitoring and developing strategic partnerships.

Communication activities in each category can be evaluated in an audit using the following criteria:

Strategy:

- Strategic alignment of communication activities with the organization's vision and mission.
- Establishing communication goals and objectives.

- Selection of relevant target audience or stakeholders.
- Developing compelling and coherent messages.
- Appointing credible and competent spokespersons.
- Choosing the most effective communication channels to achieve the set objectives.
- Analysis of the operational environment to identify potential risks in communication.

Implementation:

- Preparation of effective and quality communication materials;
- Developing strong partnerships with key stakeholders, especially senior executives and managers in the organization;
- Preparation and training of spokespeople to ensure the consistency and effectiveness of the messages conveyed;
- Maintaining systematic communication activities within the organization;
- Continuous monitoring and evaluation of communication activities and results.

Support and integration:

- Obtaining the support and commitment of the organization's management for communication activities;
- Ensuring adequate human and financial resources for the communication function.

The current level of communication performance can be analysed by considering communication activities on a strategic assessment scale as follows:

1. Not implemented: Communication activities were not implemented or carried out properly;
2. Ad-hoc: Communication activities are sporadic, without proper coordination or allocation of resources;
3. Planned: Communication activities are managed and coordinated, with resources allocated and responsibilities assigned;

4. Institutionalized: Communication activities are carried out regularly, being considered “best practice”, coordinated and integrated into the culture of the organization;
5. Evaluated: Communication performance is measured and monitored, progress is tracked, and activities are known and coordinated effectively;
6. Optimized: Communication activities are reviewed regularly, there is an orientation towards continuous improvement and the adoption of best practices.

In order to assess your current communication performance and ability, information about each communication activity may be collected. This information can be obtained through interviews, surveys, analysis of the processes or results of various communication activities (such as advertising, social media activities), network analysis, staff observation, document review or discussion groups.

The performance of activities can be rated simply in terms of excellent, good, average, poor or very poor. The auditor can do the assessment alone or collaborate with the management team to reach a consensus. Activities that are well done and rated as excellent or good do not require immediate improvement actions. Conversely, activities rated as weak or very weak require urgent improvement actions to improve performance and communication capability in the organization.

Categories of activities should be prioritized according to the following classifications:

- Critical: Activities that will bring significant results within 1-3 months;
- Important: Activities that will bring significant results within 4-6 months;
- Desired: Activities that will bring significant results within 7-12 months.

To increase the chances that the audit findings will be accepted and to improve future activities, the audit should fulfil the following:

- To demonstrate, through the information obtained from the audit, the actuality of the communication problems (compared to a possible future impact). The audit should also highlight and strengthen the practices that represent the strengths of the organization today;
- To provide specific recommendations for improving current communication activities. The information obtained from the audit must be followed by specific and committed actions;

- To highlight the organizational benefits of adopting these actions, ensuring transparency in this sense.

Internal audit is an independent and objective activity, with an assurance and consulting role, which aims to add value and improve the functioning of an organization (according to the Institute of Internal Auditors - IIA). The main function of internal audit is to evaluate the performance of internal processes, personnel efficiency, system effectiveness and resource utilization, in order to prepare a report to management for necessary improvements (according to Lourens & Philna, 2018).

Although there is a lack of specific studies on internal audit communication, some authors (such as Pitt, 2014; Moeller, 2009) suggest that internal auditors should have strong communication skills. Communication to interact effectively with the auditees, processes and system so that they can deliver a useful report that persuades the management to improve the performance of the organization. In many organizations, top-down communication has been a major challenge for internal auditors, which is why it is crucial to examine the communication flow of internal auditors. It is important that auditors develop strong communication skills that enable them to perform the evaluation function and achieve an objective balance between audited entities and management (according to Smith, 2005).

Thus, the main role of internal audit activities is to assess the internal capabilities of the organization and report to management in order to add value and improve processes. Auditors' horizontal communication refers to the line of communication that describes the interaction between the auditors and the management team. This line of communication facilitates the flow of valuable information in both directions, ensuring organizational efficiency (according to Darling, Beebe, 2007). Internal auditors within FIRS (Internal Revenue Service) have identified various means and requirements for effective communication in tax administration.

Vertical communication of auditors refers to the use of appropriate channels and forms of communication for the transmission of information between auditors and audited entities. Vertical communication gives auditors the opportunity to perform their audit function with the audited entities in a precise and concise way, thus facilitating the achievement of organizational objectives (according to Quinn & Hargie, 2004; Orsini, 2000). Studies by various authorities, such as Quinn & Hargie, have highlighted various responses regarding the means of vertical communication used by internal auditors to communicate with each other and with

the audited entities. Participants in these studies expressed their opinions and viewpoints relevant to the performance of the function within the FIRS. In this context, the study participants mentioned that they used phone calls, face-to-face conversations and other specific ways of vertical communication.

The auditor's communication skills are crucial to gaining trust and respect, listening and learning, and influencing people effectively. Internal auditors have difficulty using other means of communication outside of the standard audit reports sent to clients after the audit is completed. Communication skills are critical to the success of an internal audit, whether with audit clients, teammates, the audit committee, or senior management.

To achieve effective communication, the internal auditor must demonstrate maturity in communication skills. It is important to be clear, concise and unambiguous, anticipating current and future customer needs and avoiding excessive use of technical jargon that can make it difficult for organizational members to understand. It is also crucial that the terms of engagement are clarified and agreed between the audit department and management and that any ambiguities are removed before the start of the audit program for a financial year.

The internal auditor's ability to meet the terms of his engagement involves the ability to organize thoughts, ideas and conclusions obtained from audit investigations and to communicate effectively with management personnel who have requested his services. When attempting to communicate audit findings regarding identified internal control deficiencies, internal auditors must adopt a diplomatic approach and develop a communication style that aligns with management's expectations. Thus, they can convey the information in a clear, concise and unambiguous way. This style of communication will ensure that the information targeted by the internal auditor reaches senior management without being distorted in transmission.

3. Conclusion

For internal auditors to adopt global best practices in assurance and performing substantive and substantive tests, effective communication of findings and recommendations is required to ensure the relevance of audit information. This involves interviewing members of the organization and management to obtain

information that will contribute to the formulation of audit conclusions supported by evidence.

Effective communication is a key factor in determining the effectiveness of auditors and is evaluated through the relationship with the audited entities, i.e. the members of the organization. An accusatory style of the internal auditor or an exclusive focus on the weak points of the audited can create a trust problem between the auditors and the audited, which can affect the effective communication between the sender and the receiver in the communication process. It is important that internal auditors approach communication tactfully and encourage open and constructive dialogue so that they can establish a relationship of trust with the audited entities and facilitate the effective exchange of information.

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