EDITORIAL PREFACE

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"The task of the university is the creation of the future, so far as rational thought, and civilized modes of appreciation, can affect the issue."
— Alfred North Whitehead (1861-1947)
British Philosopher and Mathematician

Background

Recent scandals in corporate America beginning in late 2001 and the precipitously dropping stock markets of 2002 prompted Congress to unleash the most sweeping regulatory and corporate reform legislation in the United States since the Securities Acts of 1933 and 1934. During this time of a severe crisis of confidence in America's corporate management, organizational governance structures and related processes have come under scrutiny. Financial reporting and corporate governance, usually considered arcane and esoteric issues, have captured the attention of the press, the public at large, and Congress.

In the past, crises of this nature did not focus on the role of internal auditing. Today, many are looking to the internal audit function and the chief audit executive as part of the solution to a perceived breakdown in the systems of business reporting, internal control, and ethical behavior. The problem has become so severe that even the general public is beginning to understand the critical role that the internal auditing profession can play. Corporate management needs to change, but it also needs to be able to demonstrate the credibility of its leadership. Specifically, within organizations, those charged with governance need to provide assurances that they have implemented effective governance processes and that all information reported to the public is itself credible. The internal auditing profession's role in this process can be a significant one.

The New York Stock Exchange recently announced that all NYSE-listed companies must establish an internal audit function — a powerful endorsement and recognition of the critical significance of internal audit activities. The Institute of Internal Auditors welcomes this important acknowledgment of the internal auditor's role in promoting and supporting effective organizational governance and credible business reporting.

The Board of Trustees of The Institute of Internal Auditors Research Foundation firmly believes that the academic community has made and can make further significant contributions to the advancement of the internal audit profession globally.[1] This monograph, "Research Opportunities in Internal Auditing" (ROIA), represents the first step in the Board of Trustees' commitment to thought leaders in the academic community. The Board of Trustees hopes that this monograph will foster research on important issues of interest to the public and the internal auditing community and intends to fund future research based on projects inspired by this monograph. As ROIA coeditors, we believe that both basic and applied academic research can provide insight and useful tools that will influence the thinking of other academics, practitioners, including business leaders, standard-setters and policy makers, regulators, students, and the general public. Indeed, effective communication of research findings based on sound academic research can fundamentally shape the future of internal auditing. We are gratified to note The IIA Research Foundation Board of Trustees' sincere interest and commitment to this strategic, long-term endeavor.

We have sought out well-known and respected academics as contributors to this research monograph. We did not provide these authors with an agenda other than that they reflect on the potential research contributions that might be made toward a deeper understanding of the internal auditor's function. We believe that advances in knowledge, and whatever the specific outcomes of the ROIA monograph-inspired research programs, will prepare future generations of internal auditing professionals to better deal with the challenges of a dynamic and complex global business landscape. Addressing these significant and timely questions scientifically calls upon the university to serve in its traditional role of promoting socially productive research and is the first step toward incorporating new ideas in the curriculum. It is in this sense that we understand philosopher Alfred North Whitehead's remarks to ring true — for research insights and teaching innovations at universities carry the potential to "create the future" or define/change the trajectory of entire professions, including the profession of internal auditing.

Genesis of ROIA Research Monograph

Over two years ago, members of The IIA's international Academic Relations Committee put together a proposal to actively engage U.S. accounting academics in carrying out basic research on internal auditing. This proposal was endorsed by then Academic Relations Chair Mary Blake and strongly supported by Larry Rittenberg, then Vice-Chairman of Professional

[1]Co-editors Andrew Bailey and Sridhar Ramamoorti are members of The IIA Research Foundation Board of Trustees, and chapter author, Larry Rittenberg, is President of The IIA Research Foundation Board of Trustees.

Practices of The IIA, and by Basil Pflumm, Executive Director of The IIA Research Foundation. Soon thereafter, a revised proposal was approved by The IIA Research Foundation Board of Trustees then headed by LeRoy Bookal (now IIA Chairman of the Board). Following the Board of Trustees' approval, and a summer 2001 planning session in Chicago, this research monograph became the initial focus of the project. Shortly after this meeting, contacts were initiated with a select group of auditing academics, based on their prominence as respected academic researchers, their various areas of specialization, and existing or potential interest in internal auditing. Each of these individuals was asked to participate as an ROIA author and we were overwhelmed by their enthusiastic response.

The coeditors and chapter authors met during the August 2001 annual meeting of the American Accounting Association (AAA) in Atlanta, Georgia. During this session, and in the following months, the ROIA monograph began to take shape. Preliminary drafts of ROIA chapters were discussed at a May 22-23, 2002, conference in Chicago, featuring both academic and practitioner participants (see list of attendees immediately following this preface). The conference proved most helpful in crystallizing the ROIA monograph structure, topical content, in coordinating author efforts, and in surfacing academic and practitioner perspectives. Much progress had been made in securing finalized draft chapters from all the ROIA authors by August 2002. By early October 2002, we were ready to submit the final drafts to The IIA's publishing and editorial staff.

Purpose, Scope, and Organization of ROIA Research Monograph

The ROIA monograph is first and foremost intended to serve as an inspiration for sound academic research on topics of interest and importance to internal auditing. Second, it has been written to act as a "communication bridge" between academics and practitioners. The already mentioned Chicago ROIA conference was of particular value in assuring that this communication bridge goal would be successful by initiating a fruitful dialogue between academics and practitioners. The coeditors of the ROIA monograph, the chapter authors, as well as the academic and practitioner participants of the Chicago ROIA conference in May 2002 are all committed to sharing their respective perspectives in the true spirit of The IIA's motto, "Progress through Sharing." However, in blending theory and practice, we are doing more than combining perspectives, methodologies, or techniques. We are bringing together two different communities — two distinct cultures. We are fully cognizant of the challenges in blending theory and practice; however, we remain convinced that it is only through such a merging of perspectives, sometimes called "creative abrasion," that the most conceptually sound and robust practical solutions can be developed.

We also believe that the key to continued development of basic, applied, and pedagogical research in internal auditing is to take advantage of our knowledge of accounting institutions and decision settings to provide a basis for the selection of important research topics. The ROIA monograph is designed to make academic researchers more familiar with the rich context of internal audit practice while presenting conceptual frameworks that will promote better understanding of related concepts and theories. In this respect, the research questions appended to each chapter can be extremely helpful in choosing one or more lines of research worthy of exploration and investigation. Clearly, readers may develop additional questions based on the substance of the ROIA monograph and we do hope this will be the case. Also, the reader will note that the ROIA chapter authors do not suggest how specific issues might be addressed. We concluded that research method selection is a judgment best left to the academic researchers themselves as this aspect plays to their comparative advantage and strength.

Although the academic community is the primary audience for the ROIA monograph, we believe that others too would benefit by reading its contents. For instance, practicing internal auditors reading the monograph will gain a better understanding of the role of research in helping to shape theory. Perhaps more importantly, practitioners will gain an insight into how theory influences The IIA's *Professional Practices Framework*, the role of professional judgment in internal auditing, the development and feasible uses of new tools and techniques, and the education of future internal auditors. They will come away with a better grasp of how all of these influences collectively drive state-of-the-art and contemporary internal auditing practice. In addition, as has been emphasized before, the ROIA research monograph highlights the value of academic-practitioner collaborative efforts in pursuing solutions to challenging practical problems. Finally, we believe that the monograph will provide both undergraduate and graduate auditing students, as well as interested, non-auditor practitioners, with a fuller understanding of the interplay between research and practice that is necessary to keep the internal auditing profession intellectually vibrant, relevant, and visionary.

The chapters are organized in what the coeditors felt was a logical sequence. The reader may have chosen a different order. We do not consider this an important issue. The Table of Contents reflects our thinking and provides a reasonably extensive listing of each chapter's contents as an aid to readers in locating topics of particular interest to them. The Tables of Research Questions at the end of each chapter may also be of substantial help in both identifying issues and locating the chapter content of particular interest to the reader.

Concluding Remarks

The coeditors of this monograph believe that academics, practitioners, and students can benefit by reading the monograph. Our preface tries to communicate the potential benefits for both academics and practitioners. We now place this effort before the academic community in the hope that they will gain from the insights of the chapter authors, but even more important, that they will bring new and previously unconsidered insights of their own to the process. We leave it to these researchers to develop projects that are integrative not only of issues, but also of disciplinary approaches to the complex problems of internal auditing. We have considerable faith in and rely on the research efforts of our colleagues to make this monograph a success.

In closing, we wish to express our indebtedness to Larry Rittenberg, President of The IIA Research Foundation, for his leadership and significant contributions to the ROIA effort (including as a chapter author). We would also like to thank all the chapter authors and discussants for their many hours of quality work and their unswerving commitment to tight deadlines that has made this monograph possible within a reasonable time frame. Finally, we must mention IIA staff members, Basil Pflumm, Susan Lione, Senior Manager of Research, and Nicki Creatore, Research Administrator, for their valuable advice and assistance on behalf of The IIA, as well as IIA Publications Editor Lee Ann Campbell for her help with the publication content and logistics.

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October 2002