IN SEARCH OF THE THEORY OF INTERNAL AUDIT

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Abstract:
There is no internal audit theory; so far, only theories concerning the control of the activities of private sector entities are being developed. The authors have made an attempt to locate internal auditing in selected economic theories. It consisted of indicating how the internal audit contributes to solving problems arising in the organization, depending on the goals of its stakeholders. The article discusses auditing in the context of agency theory because it is recognized that the principal-agent relationship occurs when one party (the auditor) is obliged to act on behalf and in the interest of the other (the organization manager). The knowledge of potential conflicts that may arise between them may contribute to lowering the costs of their elimination. Moreover, internal audit can be a tool for solving problems resulting from the lack of (asymmetry) information. Internal auditing is also presented in light of behavioral theory, assuming that both the auditor and the auditee are guided by different premises and their behavior is influenced by various factors. Knowledge of these motives and factors is just as important in the auditor's work as the specialist (technical) knowledge he uses in the audit process.

Keywords: internal audit theory, agency theory, behavioural theory

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1. Introduction

Over the years, three separate approaches to management in the public finance sector have been developed (Hensel, 2016). From the 1950s until the 1980s, management dominated, or rather hierarchical governance, which was the result of M. Weber's views gathered in the form of the so-called theory of bureaucracy (bureaucratic). Then, until around 1995, the market approach, known as new public management, gained extraordinary popularity. The NPM concept was developed using the achievements of the following theories: public choice, agency, transaction costs, technical theory of rationality and institutional theory (Heyer, 2011: 420). Since the mid-1990s, more and more attention has been paid to yet another style of public management, called new public governance or good governance.

In the theory of bureaucracy, the importance of order, appropriate hierarchy, order and management in the organization was emphasized. However, in the long run, the principles promoted by this school turned out to be inefficient and did not favor the effectiveness of the entities' operations. The weakness of this theory was the insufficient attention paid to the man who performs the tasks assigned to him. This became the premise for the development of another trend in the theory of organization and management, known as the behavioral school (behavioral theory of enterprise) (Lachiewicz, Matejun, 2012).

The aim of this article is to present internal auditing in light of selected theories of institutional economics. The authors searched for the theoretical foundations of internal auditing and made an attempt to identify research and practical problems that are highlighted in these theories or that arise after their application in practice, and which can be solved with an internal audit.

Among the many theories explaining some aspects of the functioning of modern institutions, including enterprises and the public finance sector, the agency theory and the behavioral theory of an enterprise were considered the most interesting. The justification for the existence of an audit can also be found in other theories (Grzesiak, Kabalski, 2016), e.g. transaction costs, property rights, institutional iso-morphism, (cybernetic) systems, autopoietic social systems and others.

2. Definition of internal audit - change of approach

In order to be able to explore the essence of internal auditing, one should go back to its beginnings. The modern internal audit took shape in 1941 when the Institute of Internal Auditors was established in the United States (hereinafter IIA). The purpose of establishing an organization gathering auditors in its circles was to professionalize internal auditing as a separate discipline (Winiarska, 2017).

It should be noted that the purpose of this point is not to discuss in detail individual definitions of internal audit, but to show the changes that have taken place in the understanding of the role of internal auditing in the organization and the scope of its research. The starting point for consideration is the definition from 1947, formulated by the Institute of Internal Auditors. According to the IIA, "Internal audit is an independent evaluation activity within an organization. Established to review accounting, finance and other operational activities, it forms the basis of a protective and constructive service function in relation to management. As a form of control, it carries out its task by measuring and evaluating the effectiveness of other types of control." (Statement ..., 1947). This definition is considered to be the first modern definition of internal audit.

One of the first definitions of internal audit, which characterizes a comprehensive approach to audit activities and fully reflects the essence of internal audit, is the definition formulated by Mautz, Tiessen and Colson. The authors understand internal audit as “a service for senior management and other interested persons, which includes: (i) monitoring management control systems, (ii) predicting, identifying and estimating risks that may threaten the assets and activities of the enterprise (organization), (iii)) identifying current and potential gaps in control systems and existing risks, and (iv) making recommendations to improve control systems, risk response and achievement of goals by the company (organization) (Mautz, Tiessen, Colson, 1984).

The definition of Mautz, Tiessen, and Colson focuses on the types of audit activities undertaken by internal auditors and on their areas of operation. This definition lacks the identification of features that should characterize the activity of an internal audit. By analyzing the literature, we conclude that two features come to the foreground in the definitions formulated at different times, attributed to the activity of an internal audit. These are independence and objectivity (see e.g. Buttery, Simpson, 1986; Basu, 2009; Saunders, 2002, Przybylska 2011). These features seem to be necessary for the professional performance of an internal auditor and their importance is also emphasized in the latest guidelines and standards addressed to internal auditors, which will be developed further in the article.

Over time, the understanding of the role of an internal audit has changed and its scope has expanded. Internal auditors were to express an opinion not only on the financial management of a given entity but also to assess the control systems operating in the entity, as well as the risk management system and finally the so-called system governance (Przybylska, 2011). The described changes in defining an internal audit are shown in Figure 1.

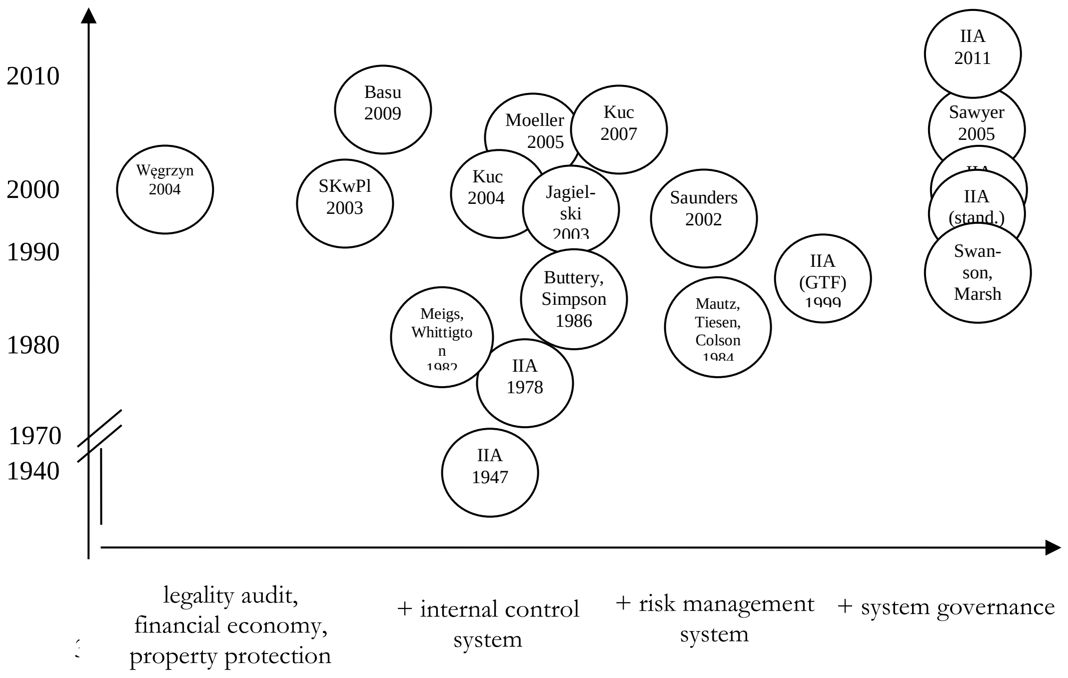

Figure 1. Changes in the scope of the definition of internal audit.

Source: (Przybylska, 2011).

In accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors in 2016, internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The definition of auditing implies that this activity supports the organization in achieving the set goals through systematic and consistent activities aimed at assessing and improving the effectiveness of risk management, as well as enabling increasing the effectiveness of the control system and organization management processes. The element that distinguishes the nature of the audit is, above all, independence and objectivity. These are characteristics that apply to both activities and auditors. Independence means, above all, the absence of circumstances that could jeopardize the impartial performance of duties. In turn, objectivity is an impartial intellectual attitude that allows internal auditors to perform tasks with full faith in the effects of their work and avoid any deviations in quality (Communication of the Ministry of Finance on internal audit standards (...), 2016).

However, supporting management in shaping the entire business of the entity involves not only checking and evaluating systems through assurance tasks but also consulting. However, the legislator regulated this area of auditing to a rather narrow extent, leaving it somewhat free to be interpreted by the auditors. Consequently, in reality, advisory services provide a wide range of activities in the auditor's work. However, consulting should be subordinated to the primary audit function of the independent examination and evaluation of the control system.

It is clear from the definition of internal audit that its role is to improve the entity's performance by supporting management in achieving its objectives. Internal auditing may cover any area of the unit's operation in which the internal auditor has noticed the risk (Winiarska, 2017).

3. Selected theories of internal audit

3.1. Agency theory and internal audit

The authors of the agency theory are believed to be M. C. Jensen and W. H. Meckling (Jeżak, 2012). The essence of the agency theory is to present the relationship between two individuals or groups of people related to organizations, each with different goals. The basic concept used in the agency theory is "agency relation", the creator of which is believed to be S. A. Ross (1973). This relationship is defined as an agreement (contract) according to which one or more people (referred to as the principal) engages another person (agent, contractor) to perform certain activities (services) on his behalf, delegating to him the power to make decisions (Jensen, Meckling, 1976). Initially, this theory was related to the relationship between the owners of the organization, shareholders and managers hired to act on their behalf. Then the considerations were adapted to the relations between the lower-level management and their subordinates. In the public finance sector, depending on the scale of considerations, the role of the principal may be played by the entire society, the government, local government unit, and the role of an agent, e.g. companies of the State Treasury, organizational units performing public tasks, local government legal persons. In another approach, the role of a principal may be assigned to the bodies supervising the operation of a given entity, and the role of an agent to persons (bodies) managing this entity (e.g. commune council (principal) - head of the commune (agent); head of the commune (principal) - head of a commune organizational unit (agent). Principal-agent relations also occur when one party (auditor) is obliged to act on behalf and in the interest of the other (the manager of the organization).

The agency theory developed in two directions (trends) related to a common starting point, which is the contract concluded between the principal and the agent. They are positive agency theory and principal-agent theory (Eisenhardt, 1989). In the first, an attempt is made to identify situations in which the principal and the agent may have conflicting goals, and then indicate actions (management mechanisms) by which the principal can limit the agent's selfish behavior. In this trend, solutions of an applied nature are developed. The second trend is more abstract. The theses put forward in it are attempted to be verified with mathematical proofs. In addition, researchers focus on the theoretical consequences of an agency contract (Eisenhardt, 1989: 60-61).

The agency theory highlights several problems that arise in the relationship between the agent and the principal. The first one is revealed when the goals and preferences of both parties conflict. The second problem occurs when the principal has limited ability to check the agent's conduct or when this would be too expensive. This specific "handicap" of the principal results from the fact that he himself does not have the appropriate competencies to perform the tasks assigned to the agent. K. M. Eisenhardt (1989) emphasizes that there is also a problem related to the sharing of risk. Both sides of the analyzed relationship show different attitudes towards risk, so they can adopt different strategies when it comes to minimizing it. Other complications are also possible because one principal may have several agents, each of which has their own goals and makes decisions independently, and their impact on the functioning of the organization is the result of the actions of all the agents (Szwedziak-Bork, 2016). All this creates uncertainty in the relationship between the principal and the agent, which results from the asymmetry of information.

Information asymmetry can be found in the following three cases. The first concerns the situation preceding the conclusion of the contract, when the agent has knowledge of their competences, but this knowledge is not available to the principal. Then we are dealing with the problem of negative (incorrect) selection. This asymmetry can also create a moral hazard. More generally, this is manifested in the fact that the agent may undertake activities that are either not monitored by the principal at all or are poorly supervised. The third manifestation of the asymmetry of information arises when, admittedly, both the principal and the agent have the same information ex-post, but it is not available to a third party. In the literature, this situation is described as the so-called case of non-verifiability (Wojtyna, 2005).

Asymmetry of information overlaps with the tendency of agents to prioritize their own advantage over the interests of the principal. The agent may behave in such a way as to achieve their goals (latent activity problem). Moreover, according to J. Saam (2007: 836) one can also speak of an asymmetry of power which, unlike the asymmetry of information on the agent's side, is on the principal's side. The principal usually has tools with which he can force the agent to achieve better results (Szwedziak-Bork, 2016).

The existence of information asymmetry in the aspects described above is the main premise for engaging a kind of intermediary, the function of which may be performed by the internal auditor. According to D. Dobija (2014: 56), such an intermediary is an auditor examining financial statements that may contain incomplete or unreliable financial information, which may be caused by the fact that the principal evaluates the agent's actions, among others, on their basis. It should be noted here that the financial area (including the audit of financial statements) may also be of interest to an internal auditor. However, we mustn't forget that this area, despite its key importance for the functioning of the entity, is not the only subject of an audit conducted by an internal auditor. An internal audit evaluates the functioning of the entire management control system, of which the financial area is part. The activities of the internal auditor focus on the assessment of the adequacy and effectiveness of control mechanisms implemented in this area.

In light of the agency theory, the asymmetry of information and the legitimacy of internal auditing are of particular importance when they are related to the public finance sector[1]. In this case, considerations can be carried out on two levels. In the case of the first, we assume, taking into account the public ownership of funds and property occurring in this sector, that the principal is the society (in terms of national, regional or local), and the agents are the people who manage

1 The issue of information asymmetry in the public finance sector is described and analyzed in detail (Collins, Khan, 2004).

the property and public funds within various entities. In this situation, the role of the internal audit is often underestimated, and the effects of the internal auditor's work are rarely used to evaluate the principal's work. We must remember here that every citizen has the possibility, under the Act on Access to Public Information of 2011, to become acquainted with the results of the auditor's work, which mainly concern the assessment of mechanisms and solutions implemented by an agent during the management of public funds and property. At the local level, such activities may be undertaken by representatives of the local society and, at the same time, by the body supervising the agent's work - e.g. the commune council.

In the case of the second level of considerations, the role of the principal may be assigned to the body supervising the activity of an entity, and the role of the agent to the persons managing this entity. An example of this dependence in the public finance sector is the presence of a commune head (mayor, city president) as the principal and the director/manager of a communal organizational unit (e.g. school) as an agent. It is worth noting that despite the public ownership of property and funds, the entity responsible for them is the head of the commune (principal), who hands over some of these goods to the school head (agent). In this relation, there appears the information asymmetry mentioned in the agency theory, which may be reduced by effective internal audit and other instruments used by the principal (e.g. inspections).

Therefore, it can be concluded that, in light of the agency theory, an internal audit contributes to the reduction of the asymmetry of information also in the case of the public finance sector, irrespective of the level on which the discussions are conducted. In the agency theory, the main goal of an internal auditor is to reduce the scale of ineffectiveness related to the asymmetry of information between the principal and the agent. Therefore, it can be considered as a tool for ensuring corporate governance is understood as balancing the expectations of all members of the organization and their egocentric behavior (Dobija, 2010).

M. Gorynia (1999: 780) draws attention to the costs of concluding and performing a contract between the principal and the agent. These include: the costs of monitoring and motivating the agent, the costs of the agent, which are incurred in order to build the trust of the principal, and the opportunity costs related to the benefits lost by the principal as a result of his interests being in conflict with those of the agent. The costs of contract performance should also include the costs of internal audit, i.e. the cost of the audit is the cost of the agency (Colbert, Jahera 1988: 7).

Agency theory is used to explain different behaviors of members of an organization and various social and economic phenomena. K. Eisenhard (1989) indicated that it can be used to explain problems arising in economics, management, political and legal sciences, in sociology, accounting, finance, marketing and behavior in organizations. In the Polish literature on the subject, this theory was used, among others, to explain the phenomenon of corporate supervision in state-owned companies (Postuła, 2015). A successful attempt to discuss the specifics of agency relations in the state's scientific policy can be found in the article by A. Przegrocki and J. Jabłecka (2013).

3.2. Internal audit in the light of the behavioral theory

Unlike classical and neoclassical economics, behavioral economics allows us to understand how people make decisions and what influences them. This economy is based on cognitive psychology, social psychology and anthropology (Śliwowski, Wincewicz-Price, 2019). The psychological approach to the phenomena and behavior of the research in economics and management was popularized by the American psychologist and economist D. Kahnemal. Under the influence of his views, the paradigm of neoclassical economics, which was the rational homo economicus, was broken. As T. Kowalski (2001) argues, referring to the results of psychological research, "the actual behaviors and decisions of entities differ greatly from the postulated homo economicus scheme of classical economics", i.e. man is far from the ideal of rationality because his decisions are influenced by cognitive distortions (prejudices, delusions, tendencies, emotions, cognitive errors) (Polowczyk, 2010). The study of natural inclinations of people is dealt with in psychological economics and experimental economics, the achievements of which have been used in the behavioral theory of the enterprise.

Classical and neoclassical economists describe a rational man as someone who always knows what his goals and preferences are, calculates costs and benefits, and efficiently obtains the necessary information (rejects those that are not important to him). A rational person notices alternative solutions and their consequences, accurately assesses risk, and consequently increases their well-being. The ideal man is the starting point for behavioral economics, but in light of its findings, he is not so perfect (Śliwowski, Wincewicz-Price, 2019). Behavioral economics is divided into several trends (there are several behavioral theories). From the point of view of the aim of the study, the most interesting was the behavioral theory of the enterprise, which was fully explained by R.M. Cyerta and J.G. Marcha (Solek 2016).

Table 1 summarizes the assumptions of neoclassical economics (including the neoclassical company theory) and behavioral theory. The most important of them are referred to in the commentary to the table.

Table 1. Comparison of the most important assumptions of neoclassical and behavioral economics

Accepted assumptions	neoclassical economics	behavioral economics

Motivations and cognitive abilities of subjects	Unrecognized and unfathomed, placed in a "black box", oversimplified	An in-depth analysis of the psychological and social determinants of human action
Assumptions about human behavior	Man is rational, makes optimal choices, scrupulously calculates costs and costs. Homo economicus is egoist, able to assimilate full information, consistent in action, abuses public goods (free rider effect)	A person is irrational, makes wrong decisions, incapable of optimal selection and assimilation of full information, inconsistent, succumbs to emotions and is guided not only by his own interest, but also the interest of other people, he is willing to participate in the costs of providing public goods. (under certain conditions)
Assumptions about thought processes	Reflective, insensitive to the context and surroundings, fully informed decisions	Automatic, impulsive, depends on the context
Assumptions about racionality	Rationality is instrumental (the goal is known and determines the means of achieving it), it does not resolve normative issues	Practical rationality, determines not only the measures necessary to achieve the goal, but also the goals of the action, reflects the values
The relationship between the owner and manager	Identifying the manager with the owner, no conflict between their goals	Separation of property from management, conflict between them; conflict between different stakeholder groups
Purpose of the organization (entrepreneurship)	Profit	Bundles of goals postulated by various groups of shareholders; final goal setting by management
The criterion of achieving the goal	Profit maximization	Achieving a satisfactory level of goals
Payments for the use of production factors	Equal to opportunity cost	exceeding the opportunity cost; additional payments

Incentives for the shaping of behavior	Material incentives, financial penalties, sometimes referred to as “sticks, carrots or sermons”	A wide spectrum of the so-called soft activities that increase awareness, stimulate reflective thinking, bring closer the consequences of certain behaviors, referring to social norms
Grounds for state intervention	Existence of monopolies, externalities, public goods, information asymmetry; the need for redistribution and actions aimed at macroeconomic stabilization	Insufficient involvement of citizens, sub-optimal financial, health and ecological decisions, unfavorable framing of choices available to stakeholders, non-transparent qualification of support programs

Source: (Solek, 2016; Śliwowski, Wincewicz-Price, 2019).

According to the behavioral theory, an organization is a collection of different people and groups (stakeholders), each with their own goals and requirements. These goals can conflict with each other and with the goals of the organization as a whole. Stakeholders compete with each other and consequently, no clear purpose of the organization can be identified. Rather, there is talk of a bundle of goals postulated by various groups, the ultimate goal of which is chosen by the management (or the owner). The goal does not have to be fully achieved but the degree of its achievement must be satisfactory. Since each member of the organization has their own goal, it can be said that each of them has their own motivations.

An important place in the discussed theory is the conviction that human activities and organizations are not fully rational. This results from the fact that individual entities operate under conditions of uncertainty relating to both the environment and themselves (in the form of the aforementioned distortions). Entities are looking for information necessary for their functioning, but only regarding those areas in which problems appear (Solek, 2016).

As in the agency theory, the subject of ownership is not the same as the manager, there are conflicts both between them and other stakeholder groups. In the short term, they are solved by increasing remuneration (cash payments, additional payments, loose payments and delegation of allowances (more in Solek, 2016).

In view of the above, the justification for conducting an internal audit in light of the behavioral theory should be sought, as in the case of the agency theory, by the presence of different goals of the activities of different people or groups of stakeholders who have a different amount of information. The internal auditor again acts as an intermediary who - in an independent and objective manner - evaluates various events, processes and systems occurring within a given organization.

From the point of view of the internal auditor, it is important that in light of this theory, the organization performs a sequential search for satisfactory solutions, and after finding them, alternative options are not considered. When making decisions, the members of the organization act routinely (maybe even mechanically), use practical rules to minimize the cost of obtaining and processing additional information. This routine is a result of the fact that obtaining information takes time and is expensive. For example, it is possible to routinely calculate the price, i.e. always set it at a certain mark-up on costs (Solek, 2016). Routine may also accompany a production or service activity that involves the risk of an accident at work. This risk also results from haste, sloppiness or misunderstanding of the specificity of risks in the workplace. A tool for building an organization's safety culture can be an internal behavioral audit (more in Embros, 2009; Tobór-Osadnik and Wyganowska, 2016).

Taking this issue into account, the role of the internal auditor defined by the Institute of Internal Auditors in the Standards of Professional Professional Practice of Internal Auditing and in the definition of internal auditing fits perfectly into the mainstream of the behavioral theory. The main task of the internal auditor is to "add value and improve the operational activity of the organization. It is based on a systematic and structured assessment of the processes: risk management, control and organizational governance, and contributes to the improvement of their operation. It helps the organization achieve its goals, providing assurances about the effectiveness of these processes(…)" (International Standards for Professional Practice ..., 2016). Therefore, the internal auditor participates in the search for satisfactory solutions, proposes to improve processes, control mechanisms and procedures, striving for the solution closest to the optimal one.

In addition, the information that managers receive from their subordinate employees is subject to cognitive distortions, which here result from the fact that managers (lower-level) want to ensure their safety and power. These distortions consist of overestimating future costs and lowering the forecasts of effects, e.g. the amount of profit. The distortion of information also guarantees a certain margin of maneuver in the event of unfavorable circumstances and an unplanned increase in costs. If the conditions in which the organization operates are favorable, the distortions made allow for strengthening the position of the management (thanks to obtaining better results than planned) (Solek, 2016). The role of the auditor in this aspect also seems to be important. An independent and objective assessment of various areas of the organization's activities, including the financial area, increases the credibility of the presented data and information, and the internal audit activity should, by definition, lead to the reduction of the scope of information distortions.

Nevertheless, employees learn from their experiences and mistakes. According to adaptive rationality, decisions that were wrong in the past are not made again, and the success of certain actions prompts the organization to repeat them (Solek, 2016).

Managers allocate funds to achieve the goals of individual units of the organization "depending on the bargaining power of their management, which is determined by their achievements to date, the degree of achievement of goals, quality of work and the use of funds in the past"(Solek, 2016).

Behavioral economics has many tools for influencing the environment (Śliwowski, Wincewicz-Price, 2019), they include simplification of e.g. various procedures or shortening the time of access to services. Another tool is the so-called approximation of the consequences, which consists of providing people with adequate feedback, including information about delayed or difficult to realize consequences of their actions. The technique of referring to social norms is also used by displaying information about the desired behavior of the environment (e.g. neighbors, residents of a given area) and persuading a specific group of people to follow good practices from the environment. Another technique is called information framing, i.e. presenting true information, but in a specific context, in a positive or negative tone[2]. Another technique is the so-called personal commitments, that is, individual, personal declarations about a specific action. This technique was used, for example, by the Ministry of the Environment, obliging property owners to submit declarations on the amount of the fee for waste management and the Social Insurance Institution (ZUS), setting the date of payment of outstanding contributions with payers. The last and most controversial technique is the use of the so-called default and automatic settings. In the commercial sector, various subscriptions using the automatic subscription renewal mechanism in an example. In the public finance sector, they were used in designing the "Your e-PIT" service, transferring savings from OFE to ZUS and when making decisions about joining (or not joining) employee capital plans related to additional savings for retirement.

Behavioral research methods are used mainly in the commercial sphere, but they can also be helpful in researching many socio-economic problems faced by

2 In a negative tone, the message, information or question may read as follows: Are you aware that approximately 37% of the personal income tax you pay is the source of your municipality's income? Without this income, your municipality would not be able to finance the maintenance of kindergartens, schools, roads and safety, harming all the residents in the municipality, including you and your family. The same positive question is: Are you aware that about 37% of the personal income tax you pay is the source of your municipality's income? Your municipality finances the maintenance of kindergartens, schools, roads and safety from these incomes, which serves all residents of the municipality, including you and your family (Śliwowski, Wincewicz-Price, 2019).

entities in the public finance sector. It is noted by J. G. Birnberg and J. F. Shields (1989), who distinguished the following five schools (trends) of behavioral accounting:

- management control,
- processing information in financial accounting,
- designing an accounting IT system,
- sociology of the organization,
- external and internal audit.

It can be jokingly stated that in neoclassical models of rational behavior of participants in social and economic life, the average person is like (Hansen, 2018): Spider-Man when it comes to sensory dexterity and concentration, Albert Einstein when it comes to real analysis, Garri Ka-sparow when it comes to decision making and Mahatma Gandi when it comes to discipline and self-control. This statement brings us closer to one more issue, namely the "soft" skills that an internal auditor should possess. The auditor should know how to deal with various situations, reactions that occur between him and the auditee or management. In particular, when providing information about the result of the audit, the auditor should behave assertively and at the same time should not judge people who made mistakes. Interpersonal skills in the auditor's work are very important and the behavioral approach to auditing helps to understand the motives, intentions and behaviors of the auditee and the auditor.

4. Conclusions

Internal auditing has been the subject of interest of scientists both in Poland and around the world for many years. It should be noted, however, that the studies devoted to the issues of internal auditing are methodological and practical or contain an analysis and formal and legal assessment of the functioning of an internal audit. In Polish literature, there are few positions in which an attempt is made to embed internal auditing in theoretical trends - economy or management. Examples of such studies are the articles by L. Grzesiak and P. Kabalski (2016, 2018). The authors of this article continue and supplement theoretical considerations, focusing their attention on two theories of new institutional economics: agency theory and behavioral enterprise theory. Both of these theories, according to the authors, show the justification for conducting an internal audit.

In economics, it is assumed that an individual strives to maximize their usefulness or level of satisfaction. The agency theory indicates that internal auditing is needed to monitor management activities and evaluate them in terms of the good of the entire organization. An audit is a way of ensuring that the individual goals of units do not determine the activities of the organization. In addition, the auditor's activities are to reduce inefficiencies that result from the asymmetry of information between different members of the organization. Thus, it can be considered as a corporate governance tool.

Internal auditing is also part of the behavioral theory. On the one hand, the auditor looks for satisfactory solutions, proposes to improve the processes, control mechanisms and procedures, striving for a solution that is closest to the optimal one. On the other hand, independent and objective assessment of the organization's activities increases the credibility of the information presented, thus the audit reduces cognitive distortions.

In preparing the audit engagement, the auditor interacts with the controlled persons or managers responsible for the proper operation of the entity. Thus, there is a certain relationship between the auditor and the auditee. It is visible not only in face-to-face reports but also when the auditor presents recommendations in writing. Internal auditing is therefore largely relationship and communication-based. Auditors must have many soft skills because they should be understanding and respectful of the different roles performed by members of the organization. They should also be empathetic, honest and maintain proper relations with employees at all levels of the organization. The behavioral approach to internal audit helps to understand the auditee's and auditor's behavior.

The considerations presented in this article do not exhaust the possibilities of considering internal audit in light of the discussed theories, as well as other economic theories.

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