THE EFFECTS OF NEGATIVE AUDIT AND AUDIT ENVIRONMENT ON THE INTERNAL AUDITOR PERFORMANCE: MEDIATING ROLE OF AUDITING PROCESS INDEPENDENCE

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—Abstract—

The performance of internal auditors has become a requirement for effective financial reporting, which is the primary function of audit companies. This feature requires the attention of fresh researchers and policymakers. Therefore, the current study explores the effect of negative audits and audit environments on the performance of internal auditors in Iraqi manufacturing enterprises. The research also investigates the function of audit process independence as a mediator between negative audits, the audit environment, and the performance of internal auditors in Iraqi manufacturing enterprises. Using survey questionnaires, the researchers collected primary data from the

internal auditors of Iraqi industrial organizations. SPSS-AMOS, a tool for primary data analysis, was used to examine the relationship between variables. The results demonstrated a favorable relationship between negative audit and audit environment and the internal auditor performance of Iraqi manufacturing enterprises. The results also revealed that the independence of the auditing process strongly mediates the relationship between negative audits, audit environment, and internal auditor performance of Iraqi manufacturing enterprises. The article provides regulators with advice for drafting laws that would increase the effectiveness of internal auditors by providing an effective audit environment.

**Keywords:** Negative audit, audit environment, internal auditor performance, manufacturing firms in Iraq, auditing process independence

1. INTRODUCTION

The firm's capital comprises its funds and those of investors. Also, companies worldwide hold the capital received from their shareholders. The primary objective of businesses worldwide is not only to create a profit but also to secure their capital to prevent any form of embezzlement. The finance industry has introduced many safeguarding technologies and methods over time. Research suggests that auditing is one of the most effective means of mitigating embezzlement risk (Cameran et al., 2022; Yousaf et al., 2020). Financial concerns are frequently founded on inaccuracies or omissions. The audit is a crucial aspect in both instances of financial embezzlement and omission. According to data from the Association of Certified Fraud Examiners (ACFE), 2,410 incidences were recorded in 2016. These incidents were documented in 114 nations. The reporting of such instances is also indicative of inadequate auditor performance. 17% of the reported cases involved the consumer, 14% were anonymous, 9.9% involved vendors, 2.7% involved shareholders/vendors, and 16% involved competitors (Yousaf et al., 2020; Yousaf & Jamil, 2020). It is important to note that none of the 2,410 cases pertain to Iraq, demonstrating the ineffectiveness of the auditing system and the auditing professionals lacking in the country. This is one of the reasons Iraq was chosen for the investigation, among the notable instances. The reporting of such a large number of cases has highlighted the quality of audits based on the auditor's performance, especially internal auditors (Al-Mahdi, 2022; Hakimovna et al., 2022). Bearing in mind the significance of internal auditor performance, this study sought to investigate it. The internal audit team is the linchpin of any organization's financial system. Organizations selecting an internal auditing team must exercise the utmost care (Salehi et al., 2022; Flayyih & Khiari, 2023). Several factors contribute to poor auditor performance, including auditors' negative intents, i.e., negative audits and the audit environment. Research also suggests that elements such as audit process results frequently impact the auditor's performance (Ali et al., 2023). Therefore, it was also utilized as a mediator in the present investigation.
There is a great deal of research on the performance of internal auditors in Iraq; nevertheless, the present investigation seeks to fill a number of holes in the literature. 1) Although the performance of internal auditors has been studied from diverse angles at different eras and in different economies, the research has not yet achieved its zenith, as numerous areas of internal auditors' performance must be investigated in Iraq. 2) The model based on the negative audit, audit environment, the auditing process, and the effectiveness of internal auditors has not been tested in Iraq in recent years. 3) Rahman et al. (2019) and Alissa et al. (2014) investigated whether there is a positive or negative relationship between audits and auditors' performance; however, the present study will also examine this relationship with the addition of variables, i.e., audit environment. The study also utilized auditing as a mediator, particularly in the context of Iraq and with a new data set. 4) Zahmatkesh et al. (2017) and Satria (2022) investigated whether there is a correlation between the audit environment and the performance of internal auditors. Using a new sample set, the present study will also examine this relationship and other variables, such as negative audit and audit process independence in Iraq. 5) Al-taee et al. (2022) and Salleh et al. (2012) examined whether audit process independence acted as a mediator in the relationship between negative audits, audit environment, and internal auditors' performance in different countries. In contrast, using a new data set, the current study will examine its mediation effect in the relationship between negative audit, audit environment, and internal auditors' performance in Iraq.

1) Being one of the most important topics of the modern era, i.e., the performance of internal auditors, the present investigation will highlight the need to investigate it, particularly in the context of a negative audit, audit environment, and independence of audit process; and 2) The significance of the internal auditors' performance being one of the most important topics of the modern era. 2) Include the literature regarding the performance of internal auditors, negative audits, audit environments, and audit independence. 3) Provide guidance and assistance to the financial experts in reviewing and updating the audit process policies to improve the performance of internal auditors in Iraq. 4) Although various aspects of the performance of internal auditors have been investigated to far, many remain unexplored; therefore, the present inquiry will also aid scholars in exploring new aspects.

2. LITERATURE REVIEW

The topic of audit is gaining increased global prominence as time passes. One of the primary reasons is the many reports of misconduct. Alissa et al. (2014) investigated whether there is a correlation between negative audits and auditor performance in this scenario. The research was performed in Croatia. The research utilized information from 15392 tax audits in Croatia. The study sampled information over the past four years. The selected sample comprises the years 2002 to 2006. Several research methodologies were used to examine the collected sample. According to the investigation results, a clear and significant relationship exists between audit, auditor, and auditor performance. A
positive or bad audit mentality greatly impacts the auditor's performance. Any positive or negative adjustment in audit or auditor qualities would unquestionably alter the audio version.

Similarly, Rahman et al. (2019) investigated if audit features such as a positive or negative audit affect the auditor's performance, which in turn affects the organization's performance. The research was performed in Bangladesh. The sample for this study consisted of information acquired from the Dahaka Stock Exchange on 503 companies. The study sampled information over the past four years. The selected sample spans the years 2013 through 2017. The collected sample was evaluated using the OLS method. According to the investigation results, a clear and significant association exists between audit characteristics and firm performance via auditor performance. Positive or negative audit features substantially impact the success of the company and the auditor. The unit's quality is dependent on the auditor's performance. A good performance audit unquestionably improves audit quality, as does a poor performance audit. Research also suggests that audit features such as audit fees, auditor ethics (positive or negative), and competency greatly impact audit quality via internal or external auditor performance. In this context, Meidawati et al. (2019) examined if the audit and the auditor characterize auditor ethics, i.e., whether a good or negative mindset regarding ethics affects the auditor's performance from an audit quality standpoint. The research was performed in Indonesia. The study sampled information from 45 respondents. Using questionnaires, a representative sample was compiled. The collected sample was evaluated using the method of multiple regression. The results of the analysis indicate that there is a clear and significant effect of the auditor qualities, such as auditor ethics, on the auditor's performance, which can be evaluated through audit quality. In addition, Zahmatkesh et al. (2017) examined if a correlation exists between auditor characteristics such as the auditor's objective, whether positive or negative, job experience, and auditor performance in audit quality. The research was performed in Iran. The study included data from 200 auditors of public accounting companies. Questionnaires were utilized to acquire the sample. The collected sample was evaluated using the SSPE and Eviews methods. The investigation results suggest that auditor characteristics such as professional experience and audit aim have a favorable or negative effect on audit quality, depending on auditor performance. Each change in auditor characteristics has a major impact on auditor performance. Consequently, the hypotheses drawn from the preceding discussion are as follows.

**H1:** A significant nexus exists between negative audit and internal auditor performance.

Many aspects, such as the company's culture, leadership, environment, and employee motivation policies, influence the performance of every employee. Bearing in mind its significance, the purpose of the present study was to investigate the company environment, namely the audit environment and employee performance. Literature suggests that both factors are related to one another. In this regard, Satria (2022)
examined if a company's work environment, including the audit environment, had any relationship with auditor performance. The research was performed in Indonesia. The investigation utilized information from 350 auditors. Questionnaires were used to acquire the sample. Multiple regression analysis was employed to evaluate the collected sample. According to the investigation results, a clear and significant association exists between the workplace environment (including the audit environment) and auditor performance resulting from firm performance. A positive or bad audit mentality greatly impacts the auditor's performance. Any change in the audit environment substantially affects the auditor's performance due to the firm's performance. Both internally and internationally, the company makes every effort to promote a healthy environment for its stakeholders worldwide. Since companies are well aware that the surrounding environment heavily influences the employee's performance, in this context, Bananuka et al. (2021) examined whether organizational pressure and environmental factors affected the firm. The research was performed in Uganda. The study utilized data from 303 manufacturing companies. Using questionnaires, the sample information was gathered. The collected sample was evaluated using the SPSS method. According to the analysis results, a clear and significant association exists between organizational pressure and environment (including audit environment) and firm performance (including internal auditor's version). Any change in the firm's environment will unquestionably affect the performance of the firm's personnel, including the internal auditors. Many elements, such as the firm's culture, environment, leadership, and motivational policies, are cited in the literature as impacting employee performance. The environment is scored highly since it affects all company levels, from top to bottom. Literature also suggests that the workplace environment influences employee performance. In this context, Ghadhab et al. (2019) examined the elements that affect the auditor's performance both within and outside the organization. The research was performed in Iraq. The study utilized information from 102 auditing officers at Iraqi companies. Using questionnaires, the sample information was gathered. Using regression analysis, the collected sample was evaluated. The investigation results indicated that factors such as firm performance significantly impact the performance of firm employees, i.e., auditors. Every change in an element, such as the company's environment, would affect the auditor's performance. Consequently, the hypotheses drawn from the preceding discussion are as follows.

**H2:** There is a significant nexus between the audit environment and internal auditor performance.

The audit's success or failure and its reliance on the audit procedure. The audit procedure's flawless composition and stringent control greatly impact the auditor's performance. Al-taee and Flayyih (2022) examined whether the audit decision-making process is a mediator in the interaction between auditor ethical orientation and self-interest independence threat in this context. The research was performed in Malaysia.
The research included data from several auditing firms in Malaysia. Using questionnaires, the sample information was gathered. The collected sample was evaluated using the Warp-PLS method. According to the investigation results, the audit decision-making process considerably mediates the relationship between auditor ethical orientation and self-interest independence threat. The audit committee is an integral part of the company's auditing procedure. The selection of the audit committee team significantly impacts the audit's quality. According to the literature, the audit process is a key mediator. In this regard, Salleh et al. (2012) investigated whether the audit process, i.e., the audit committee, functions as a mediator between financial and industry knowledge. The research was performed in Malaysia. The study included data from 61 auditing firms in Iraq. Using questionnaires, the sample information was gathered. Multiple regression analysis was utilized to evaluate the collected sample. The investigation results suggested that the audit process, i.e., the audit committee, works as a crucial mediator between the financial and industry expertise. Consequently, the hypotheses drawn from the preceding discussion are as follows.

**H3:** The auditing process independence significantly mediates the relationship between negative audit and internal auditor performance.

As documented instances of financial misbehavior around the globe continue to rise, the significance of audits grows. According to the literature, a reliable and transparent audit procedure is one of the most important variables in organizations controlling embezzlement. In this context, Johari et al. (2017) examined whether the audit process mediates between the audit committee and the audit team's characteristics. The research was performed in Iraq. The study included data from 634 auditing firms in Iraq. Using questionnaires, the sample information was gathered. The collected sample was evaluated using the PLS-SEM method. The analysis results suggested that the audit process is one of the most important aspects of auditing and mediates the relationship between the audit committee and the audit team's characteristics. The study also recommended that companies pay special attention to the auditing process to improve audit quality. Time management is one of the most important aspects of the auditing process and one of its most important features. Pressure management is relevant in the context of auditing factors such as the auditing process. Amiruddin et at. (2019) investigated if the audit process, i.e., pressure management-work family conflict, mediates the auditor's performance regarding audit quality. The research was performed in Indonesia. The investigation utilized information from all KAP Indonesia auditors. Using questionnaires, the sample information was gathered. The collected sample was evaluated using the SEM method. The analysis results suggested that the audit process is one of the most important aspects of auditing and functions as a mediator between the auditor's performance and audit quality. Consequently, the hypotheses drawn from the preceding discussion are as follows.
**H4:** The auditing process independence significantly mediates the relationship between the audit environment and internal auditor performance.

### 3. RESEARCH METHODS

This study investigates the impact of negative audit and audit environment on the performance of internal auditors, as well as the mediating role of audit process independence in the relationship between negative audit, audit environment, and the implementation of internal auditors in Iraqi manufacturing firms. Using survey questionnaires, the researchers collected primary data from the internal auditors of Iraqi industrial organizations. These questions are derived from earlier research and are used to measure factors. For instance, the negative audit was evaluated using four items from Musallam (2020), the audit environment was assessed using five questions from Siew et al. (2020), auditing process independence was evaluated using four items from Setyaningrum et al. (2019), and internal auditor performance was assessed using four items from Nusran (2019, 2021).

The respondents to this survey are the internal auditors of industrial businesses. The selection of these internal auditors was based on simple random sampling. In addition, the researchers mailed and personally delivered the survey questions. The researchers sent approximately 549 questionnaires to the internal auditors but only obtained 290 legitimate responses. These legitimate responses have a response rate of around 52.82 percent. In addition, primary data analysis software such as SPSS-AMOS was used to examine the relationship between variables. This is an efficient instrument for primary data processing that handles small and large data sets with equal speed (Flayyih, 2016; Hair et al., 2014). In addition, it delivers the greatest results when employing sophisticated models (Hair Jr et al., 2020). Two factors, such as negative audit (NA) and audit environment, were utilized by the researchers (AE). In addition, the researchers used a mediating variable called auditing process independence (API) and a predictive variable referred to as internal auditor performance (IAP). These structures are shown in Figure 1.

![Figure 1. Theoretical Framework](image-url)
4. RESEARCH FINDINGS

The research examines the convergent validity of correlations between items. Maximum Shared Variance (MSV) and average Squared Shared Variance (ASV) values were found to be less than the average variance retrieved (AVE). In addition, the results revealed that AVE values are greater than 0.50, factor loadings are greater than 0.40, and composite reliability (CR) values are greater than 0.70. These numbers indicated a strong link between items. Table 1 displays these results.

Table 1. Convergent Validity

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Loadings</th>
<th>CR</th>
<th>AVE</th>
<th>MSV</th>
<th>ASV</th>
</tr>
</thead>
<tbody>
<tr>
<td>NA1</td>
<td>&lt;---</td>
<td>NA</td>
<td>0.796</td>
<td>0.885</td>
<td>0.658</td>
</tr>
<tr>
<td>NA2</td>
<td>&lt;---</td>
<td>NA</td>
<td>0.807</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NA3</td>
<td>&lt;---</td>
<td>NA</td>
<td>0.828</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NA4</td>
<td>&lt;---</td>
<td>NA</td>
<td>0.813</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AE1</td>
<td>&lt;---</td>
<td>AE</td>
<td>0.910</td>
<td>0.841</td>
<td>0.526</td>
</tr>
<tr>
<td>AE2</td>
<td>&lt;---</td>
<td>AE</td>
<td>0.872</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AE3</td>
<td>&lt;---</td>
<td>AE</td>
<td>0.607</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AE4</td>
<td>&lt;---</td>
<td>AE</td>
<td>0.516</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AE5</td>
<td>&lt;---</td>
<td>AE</td>
<td>0.636</td>
<td></td>
<td></td>
</tr>
<tr>
<td>API1</td>
<td>&lt;---</td>
<td>API</td>
<td>0.789</td>
<td>0.899</td>
<td>0.690</td>
</tr>
<tr>
<td>API2</td>
<td>&lt;---</td>
<td>API</td>
<td>0.888</td>
<td></td>
<td></td>
</tr>
<tr>
<td>API3</td>
<td>&lt;---</td>
<td>API</td>
<td>0.842</td>
<td></td>
<td></td>
</tr>
<tr>
<td>API4</td>
<td>&lt;---</td>
<td>API</td>
<td>0.800</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IAP2</td>
<td>&lt;---</td>
<td>IAP</td>
<td>0.400</td>
<td>0.824</td>
<td>0.636</td>
</tr>
<tr>
<td>IAP3</td>
<td>&lt;---</td>
<td>IAP</td>
<td>0.951</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IAP4</td>
<td>&lt;---</td>
<td>IAP</td>
<td>0.924</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The research examines the discriminant validity of correlations between variables. It is reviewed using Fornell Larcker, and the results indicate that the first figure in each column is greater than the others. These numbers suggested a weak association between factors. These outcomes are listed in Table 2.

Table 2. Discriminant Validity

<table>
<thead>
<tr>
<th></th>
<th>API</th>
<th>NA</th>
<th>AE</th>
<th>IAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>API</td>
<td>0.831</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NA</td>
<td>0.561</td>
<td>0.811</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AE</td>
<td>0.656</td>
<td>0.527</td>
<td>0.725</td>
<td></td>
</tr>
<tr>
<td>IAP</td>
<td>0.509</td>
<td>0.548</td>
<td>0.569</td>
<td>0.798</td>
</tr>
</tbody>
</table>

The results further demonstrate the model's validity. Tucker-Lewis index (TLI) values are greater than 0.90, comparative fit index (CFI) values are greater than 0.90, and root
mean square error of approximation (RMSEA) values are less than 0.05. These numbers demonstrate that the model is a good fit. These outcomes are listed in Table 3.

Table 3. Model Good Fitness

<table>
<thead>
<tr>
<th>Selected Indices</th>
<th>Result</th>
<th>Acceptable level of fit</th>
</tr>
</thead>
<tbody>
<tr>
<td>TLI</td>
<td>0.901</td>
<td>TLI &gt; 0.90</td>
</tr>
<tr>
<td>CFI</td>
<td>0.904</td>
<td>CFI &gt; 0.90</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.000</td>
<td>RMSEA &lt; 0.05 good; 0.05 to 0.10 acceptable</td>
</tr>
</tbody>
</table>

![Figure 2. Measurement Model Assessment](image)

Using path analysis, the results also illustrate the relationship between variables. The results demonstrated that negative audit and audit environment had a favorable relationship with the performance of internal auditors in Iraqi manufacturing enterprises and support hypotheses H1 and H2. These outcomes are listed in Table 4.
Table 4. Direct Path Analysis

<table>
<thead>
<tr>
<th>Relationships</th>
<th>Beta</th>
<th>Std. Beta</th>
<th>SE</th>
<th>CR</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditing Process Independence &lt;--- Audit Environment</td>
<td>0.414</td>
<td>0.467</td>
<td>0.038</td>
<td>11.013</td>
<td>0.000</td>
</tr>
<tr>
<td>Auditing Process Independence &lt;--- Negative Audit</td>
<td>0.298</td>
<td>0.331</td>
<td>0.038</td>
<td>7.796</td>
<td>0.000</td>
</tr>
<tr>
<td>Internal Auditor Performance &lt;--- Negative Audit</td>
<td>0.197</td>
<td>0.251</td>
<td>0.034</td>
<td>5.758</td>
<td>0.000</td>
</tr>
<tr>
<td>Internal Auditor Performance &lt;--- Audit Environment</td>
<td>0.239</td>
<td>0.312</td>
<td>0.036</td>
<td>6.689</td>
<td>0.000</td>
</tr>
<tr>
<td>Internal Auditor Performance &lt;--- Auditing Process Independence</td>
<td>0.262</td>
<td>0.301</td>
<td>0.043</td>
<td>6.102</td>
<td>0.000</td>
</tr>
</tbody>
</table>

The results also demonstrate the indirect relationship between variables using indirect path analysis. In addition, the results revealed that the independence of the auditing process strongly mediates the relationship between negative audit, audit environment, and internal auditor performance of industrial enterprises in Iraq and accept H3 and H4. These outcomes are listed in Table 5.

Table 5. Indirect Path Analysis

<table>
<thead>
<tr>
<th>Relationships</th>
<th>Audit Environment</th>
<th>Negative Audit</th>
<th>Auditing Process Independence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditing Process Independence</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>Internal Auditor Performance</td>
<td>0.141</td>
<td>0.100</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Figure 3. Structural Model Assessment
5. DISCUSSIONS

According to the findings, a negative audit has a positive relationship with internal auditor performance. The results concur with Aditya et al. (2019), which indicates that a negative audit is one in which the auditors not only check the correct recording of transactions in the books of accounts following the applicable accounting standards but also keep an eye out for any evidence of fraud, deception, or illegal activity. This leads to meticulous scrutiny by auditors and increases their performance. These findings are also consistent with Hazaea et al. (2020) Kuhali's assertion that in a negative audit, auditors are sharp observers and vigilant to discover fraud and ensure that nobody is involved in fraudulent activities. This improves the performance of internal auditors.

The results also revealed a positive connection between the audit environment and internal auditor performance. These results are corroborated by Mexmonov (2020), who notes that in an effective audit environment, audit team members are cooperative, free to share their opinions, and permitted to question employees in financial and other organizational areas. This improves the internal auditors' ability to extract and report quality outcomes. These results are also consistent with Saputra's (2020) research, which explains that when the internal audit environment is effective, the leader of the audit team influences team members to perform their duties efficiently, team members work with neutral thinking, and communication between internal auditors and company employees is fluid. This improves the performance of internal auditors.

The results also demonstrated that the independence of the auditing process is a significant mediator between unfavorable audits and internal auditor performance. Al Matari et al. (2019), which sheds light on the negative audit role in internal auditor performance, complement these findings. The study explores how negative auditing emphasizes detecting fraud, resource mismanagement, and questionable employee conduct. The auditing process must be independent to ensure that no one is participating in harmful activities. When the auditing process is independent, each employee is liable and accountable. It enhances the work of internal auditors and improves their performance. These results also correspond to According to Boskou et al. (2019), the implementation of a negative audit approach by internal auditors increases the check on employees by establishing auditing process independence. Since the auditors are independent, they can conduct the audit with higher quality results.

In addition, the results indicated that auditing process independence is a key mediator between the audit environment and internal auditor performance. These findings are corroborated by Petridis et al. (2021), which suggests that if the audit environment is friendly, rules-focused, and innovative, it could foster auditing process independence. Their opinion and action independence enhance the performance of auditors. These results are also consistent with Abiodun's (2020) assertion that an appropriate audit
environment leads to auditing process independence, enhancing internal auditors' effectiveness.

6. IMPLICATIONS

Due to its addition to economics-based literature, the current study provides recommendations for future research. This study examines the effects of unfavorable audit and audit environments on the performance of internal auditors. The role of auditing process independence as a moderator between negative audit and internal auditor performance has been the subject of research. This distinguishes the current study from other literary works. Furthermore, the present study is special in that it is the first to analyze the negative audit and audit environment in auditing process independence and internal auditor performance for Iraqi enterprises.

As it covers the necessity for successful internal audits, the current piece is of major importance to businesses in developing nations like Iraq. The report provides management with advice for enhancing the performance of internal auditors. According to the study, to increase the effectiveness of internal auditors, authority figures within a corporation must promote negative audits. There is a suggestion that the audit environment should be enhanced to improve the performance of internal auditors. The article provides regulators with advice for drafting laws that would increase the effectiveness of internal auditors by providing an effective audit environment. The article also provides suggestions stating that negative audits should be favored because they develop auditing process independence and increase the performance of internal auditors. The study also reveals that management must create an effective audit environment to foster auditing process independence and boost internal auditor performance.

7. CONCLUSION

The study aimed to investigate the relationship between negative audit, audit environment, and internal auditor performance, as well as the relationship between negative audit, audit environment, and auditing process independence. The research sample consisted of enterprises from the Iraqi economy, and the collected data revealed a positive correlation between unfavorable audits, audit environment, and internal auditor performance. In a negative audit, it is obvious from the study findings that the auditors have watched employees' actions and the effectiveness of company affairs, ensuring that there are no fraud strains wherever. This makes internal auditors constantly vigilant and attentive, hence enhancing their performance. The results also revealed that auditors should possess proper communication, cooperation, active engagement, independence, and innovation in the audit environment. Such an environment boosts the performance of internal auditors. The results revealed that auditing process independence is an important mediator between negative audits, audit environment, and
internal auditor performance. When a negative audit is undertaken, and the audit environment is suitable, it can generate auditing process independence, leading to greater internal auditor performance.

8. LIMITATIONS

The study includes various flaws that must be addressed in future research. Several internal auditor performance criteria, including negative audit and audit environment, have been studied. Numerous additional aspects, including auditors' abilities, audit methods, and accounting rules, have been omitted from this study. To eliminate the lack of clarity and make the investigation exhaustive, academics should enhance the number of variables used as internal auditor performance indicators. In this study, only a mediator, such as the independence of the auditing process, was examined regarding the negative audit, audit environment, and internal auditor performance. Also, future researchers should include at least one moderator in their studies.

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