

REMUNERATION OF INTERNAL AUDITORS IN POLAND

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ABSTRACT The study examined how internal auditors in Poland are remunerated. A content analysis of 157 job advertisements for internal auditors published by Poland-based employers and interviews with 24 internal auditors from the private and public sectors were conducted. The study found that internal auditors in Poland are offered contemporary bonuses such as a share of profits or long-term incentives, as well as bonuses determined by criteria such as the number of irregularities detected. In general, remuneration was criticised by internal auditors as unsatisfactory and falling short of their expectations. The remuneration packages used by some organisations do not adequately remunerate internal auditors for their performance and, consequently, do not incentivise them to work in line with the organisational and internal audit goals. To make them more effective and motivational, organisations should better align their structure with the expectations and needs of internal auditors. The findings of the study provide a preliminary framework for conducting research into the workplace situation of internal auditors. They can also help internal auditors who are considering a change of employer and help employers understand internal auditors' remuneration expectations.

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KEYWORDS: *internal auditors, interviews, qualitative research, job advertisements, remuneration, grounded theory assumptions.*

1. INTRODUCTION

The diversity of remuneration systems makes them an interesting field of study for both practitioners and theorists. The way they are designed and developed by organisations has a significant impact on the operational and strategic aspects of human resource management (Milkovich et al., 2010). It has the task of developing compensation strategies to motivate employees and achieve high performance in the organization, while keeping employees satisfied with their compensation packages (Beqiri and Aziri, 2022).

It is important to pay attention to the remuneration of employees who are vital to a business and

ensure its long-term viability. This category certainly includes internal auditors, whose role is to provide independent and objective assurance and consulting services to help their organizations streamline key business processes (risk management, control, and governance) and any operations in need of improvement (The International Standards for the Professional Practice of Internal Auditing, 2016). The importance of their role in organisations is well illustrated by the metaphors used to describe them, e.g. policemen, ship navigators, guardian angels, or organizational sages (Grzesiak and Kabalski, 2017), "evangelist for running the business better" (Marks, 2014); "a new lens for cost management" (Friedman et al., 2013);

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agent of improvement (Schulien, 2018), fraud-buster (Hillison et al., 1999) or change agent (Kundinger, 2007). There is a general consensus in the literature that internal auditors are essential for the smooth functioning of organisations.

Since internal auditors play an important role in organizations, theorists and practitioners emphasize the importance of compensating them appropriately. Internal auditors should be rewarded for the success of the organizations (Schneider, 2003). The literature contains a number of studies on auditor remuneration, most of which address incentive-based compensation in the context of internal audit effectiveness. The study used the results of job advertisements and interviews with internal auditors to examine how internal auditors are remunerated in public and private organizations in Poland.

The paper is structured as follows. The first section provides an overview of theories and studies examining the remuneration of internal auditors. The second section explains the research methodology. The third section is empirical, and analyses the content of a sample of job advertisements and of interviews with internal auditors from private organizations and public institutions. Final remarks and conclusions from the study are presented in section four.

2. REMUNERATION IN INTERNAL AUDIT – THEORIES AND STUDIES

Remuneration is a measure of employees' contribution to their organisation and a reward for that contribution. Although organisations tend to design remuneration packages to meet their individual needs, the packages have many common features, which include pay for time worked, job complexity, competencies necessary to perform a job and the quality of performance, and the employee's contribution to the success of a group, team, department, or organization (Armstrong, 2015).

Remuneration management is a complex process that requires addressing many issues and challenges, both legal (remuneration is regulated by labour legislation) and labour- and market-related. Remuneration must also take into account current market rates as well as the level and distribution of different levels of employment of staff in the organization (Armstrong, 2012).

A compensation package consists of base pay, short-term incentives, long-term incentives, as well as benefits¹ (Galetić and Klindžić, 2020). As the com-

ponents of a remuneration package vary in their effectiveness, they must be carefully selected to ensure that they complement each other. Furthermore, they must make up a coherent whole that will motivate individuals and teams of employees to consistently work towards their organization's goals. Motivating employees through remuneration has an impact on their performance (Beqiri and Aziri, 2022). In addition, the content of a remuneration package must be constantly reviewed for consistency with the organisation's remuneration strategies, and respond to the pace and scale of pay changes in the labour market (Armstrong and Murlis, 2007). For a remuneration system to be effective, i.e., to reward employees fairly and encourage their performance, it must comply with all applicable legal and institutional requirements, organisational and human resource policies, and the principle of internal and external equality of pay. Its design, implementation and changes must be consistent with the remuneration strategy, which defines the level of pay that employees should receive depending on the complexity of their tasks, their skills, their contribution to the organization, and the price that the labour market puts on their services (Milkovich et al., 2010).

In response to the COVID-19 pandemic and the subsequent *Great Resignation* (the Big Quit), many organizations revised their remuneration strategies and systems, including benefits packages, seeking ways to retain their current employees while cutting business costs. In Poland, a survey conducted by the Polish Agency for Enterprise Development (PARP) in December 2020 found that more than half of businesses (63%) did not adjust their benefits packages, only 9% added new benefits (most of them offered training opportunities, psychological support, and additional days off), 22% decided to remove some benefits (starting with sports packages/cards, training, and language courses, etc.), and 6% replaced some benefits with others without changing their total number (PARP, 2020). The PARP survey (2020) also found that better remuneration and career development opportunities were the strongest motivators for employees

their employees' personal needs or to offer their employees a competitive total compensation package (Galetić and Klindžić, 2020). Benefits are an invaluable part of the compensation package (Galetić and Klindžić, 2020). Some are intangible in nature and their value depends on the employee. In recent years, benefits have become more important and their scope has expanded (Galetić and Klindžić, 2020). Benefits bind employees to the organization and create loyalty. They may not motivate employees to become more productive as they are not based on performance but on their affiliation to the organization (Beqiri and Aziri, 2022).

¹ A benefit is a type of indirect compensation that is provided by companies to show that they care about

to consider changing employers during the pandemic, while the prospects of a pay rise and job stability strengthened their relationship with the current company.

More than 80% of employees surveyed in 2020 cited benefits as the main reason they might consider a recruitment process and a job offer (Woźniak, 2022). The importance of benefits to employees was recently confirmed by a survey of remuneration in organizations (Global Benefits Attitudes Survey, 2022), where the respondents highly rated both intangible benefits (strong teams, supportive CAEs, the organisation's understanding of internal audit, etc.) and the more common tangible benefits (medical care, sports cards, company "fruit days", etc.).

The remuneration of internal auditors plays an important role in the effectiveness of internal audit. Ridley (2008) stated that modern internal audit was built on the basis of 3Es, i.e., efficiency, economy and effectiveness. The most important E is effectiveness (Lenz et al., 2018). As a result, internal audit strives for effectiveness (Dittenhofer, 2001). The concept of internal audit effectiveness is not explicitly included in the Institute of Internal Auditors' definition of internal audit (The Institute of Internal Auditors, 2011). The effectiveness of an internal audit is usually measured by how well the objectives of the audit have been met (Dittenhofer, 2001; Mihret and Yismaw, 2007). An effective internal audit does not guarantee that everything within an organization is running as it should (Grzesiak, 2021a). Some studies focus on the role of an effective internal audit and suggest that it supports organizations (public and private) in all areas of their operations (Badara and Saidin, 2013). An effective internal audit benefits the organization, the internal audit department, internal auditors, and audit committees (Dubis et al., 2010).

However, internal audit is not always effective (Dittenhofer, 2001). This is due to the interaction of various factors that influence the effectiveness of internal audits (Mihret and Yismaw, 2007). One of these, as studies by Sakour and Laila (2015) and Grzesiak (2021a) show, is the remuneration of internal auditors. Inadequate remuneration for internal auditors is one of the factors that hinder the effectiveness of internal audit. Participants in Grzesiak's (2021a) research felt that the remuneration system did not adequately reflect the complexity and difficulty of their work. They often suggested changing the remuneration system to one that would better take into account the specifics of their work. This would increase motivation and satisfaction and thus improve the effectiveness of internal audit.

Eulerich et al. (2019) reported that the remuneration of chief audit executives (CAE) is primarily de-

termined based on their competence and the degree of internal audit independence, with complexity and the need to oversee the organisation's operations (foreign sales, listing status, etc.) being a secondary criterion. Bartlett et al. (2017) pointed to a link between the remuneration offered to internal auditors and the attractiveness of the profession to possible applicants, concluding that the profession could attract more interest from students with poorer academic performance if it were better paid. Bednarek (2015) observed that the wider use of bonuses and rewards improves the effectiveness of internal auditors', because the awareness of their availability encourages internal auditors to work towards organisation's goals; however, this phenomenon seems to be specific to the private sector.

Stapp (1991) suggests that one of the most effective ways to increase the value of internal audit to an organization is through Incentive-Based Compensation (IBC), so the profession appears to be moving in this direction. Internal auditors are often rewarded with IBC by many organizations (Stapp, 1991; Dezoort et al., 2000). There is no existing database on IBC for internal auditors (Chen et al., 2017). In many organizations, various incentive-based compensation (IBC) schemes are available to internal auditors, which often mirror the compensation plans of other employees (Dezoort et al., 2000). Compensation that is aligned with organizational performance aligns the interests of internal auditors, increases productivity and effectiveness, and helps attract and retain qualified employees to the internal audit profession (Dezoort et al., 2000).

Internal auditing in an organization is often associated with negative emotions. Internal auditors often face conflicts of interest when management's behaviour or objectives are not consistent with professional standards (Xu and Ziegenfuss, 2008). Schneider (2003) studied how internal auditors may be influenced by conflicts of interest such as incentive compensation or stock ownership. The results of Xu and Ziegenfuss (2008) suggest that guaranteed employment contracts or financial incentives for internal auditors can influence the likelihood of reporting suspicious activities (whistle-blowing behaviour). Internal auditors were more likely to report misconduct to higher authorities if they received incentives (Xu and Ziegenfuss, 2008). A study conducted by Rittenberg (2016) shows that internal auditors who are unwilling to change their audit conclusions and recommendations must consider the consequences. One of these is lower remuneration.

Internal auditors' incentive-based compensation (IBC) is a major threat to their objectivity, their "unbiased mental attitude" (Standards) and the es-

sence of internal audit (MacRae and van Gils, 2014; Arum, 2015). It is possible to reward objective thinking through incentive pay, time off, flexible work schedules, and other positive rewards. Threats to objectivity can be managed by encouraging teams, rotating assignments, training, supervising and reviewing, performing quality assessments, and outsourcing activities (The Institute of Internal Auditors, 2011). It is possible to reduce threats to objectivity by implementing a reward system and disciplinary procedures both within the internal audit function and throughout the organization. It may be possible to foster objectivity when confronted with these threats, for example, by creating an environment that rewards critical thinking and punishes bias or prejudice. The literature suggests that external auditor's confidence in the objectivity of internal auditors is only compromised in certain circumstances, such as when misstatements are likely (Whittington and Margheim, 1993, as cited in: Dezoort et al., 2001). According to Armstrong et al. (2010), performance-based incentives do not undermine the monitoring capabilities of the chief internal auditor (CAE).

There is scant empirical evidence that the IBC affects the objectivity of internal auditors. One of the existing studies reported that 56% of internal auditors believed that incentive compensation based on overall company performance could impair the internal auditor's objectivity and independence (Schneider, 2003). According to Balafoutas et al. (2020), IBC leads to dishonest behaviour: collective incentives lead to over-reporting of performance, while competitive incentives lead to under-reporting it. When an incentive program is based on earnings or stock price, internal auditors might overlook management's actions to overstate earnings (Schneider, 2003). Hanafi and Stewart (2015) note that internal auditors' objectivity appears to be impaired when their IBC is based on a company's performance, but not when they receive it based on an individual's performance.

A study by Dezoort et al. (2001) examines how external audit planning is affected when internal auditors have incentives and the opportunity to influence their assessments. Based on attribution theory, external auditors' planning judgements are influenced by three factors: internal auditors' compensation, the role of internal auditors, and the subjectivity of audit tasks. According to the study by Chen et al. (2017), external audit fees correlate positively with the remuneration of internal auditors depending on the company's performance.

A growing number of internal auditors receive cash bonuses for reporting on company performance. Incentive compensation is believed to improve internal auditors' effectiveness and performance, as well

as their motivation and morale (Dezoort et al., 2000). For example, IBC may motivate internal auditors to be more productive so that they can contribute more value to the organization. On the other hand, IBC may affect the objectivity and independence of internal auditors, making them less effective as controllers. External auditors may also charge higher audit fees if they perceive internal auditors receiving IBC as less objective and rely less on the work of internal auditors (Dezoort et al., 2000).

In recent years, internal auditors have received incentive awards in the form of bonuses linked to the overall performance of the company (Stapp, 1991; Dezoort et al., 2000). Stock appreciation and incentive compensation can influence the internal auditor's reporting decisions (Schneider, 2003). In the Dezoort et al. (2000) study, the respondents reported various types of IBC plans. In most cases, bonuses are based on company performance, internal audit department performance, and individual performance. Although the Institute of Internal Auditors (IIA) does not prohibit incentive compensation or stock ownership (Schneider, 2003), management and audit committees should be cautious when deciding whether or not to provide internal auditors with an IBC form (Dezoort et al. 2000).

Dezoort et al. (2000) report that 42 percent of the internal auditors surveyed entitled to incentive compensation, with 70 percent of this compensation based on measures related to current reported income (e.g., net income, earnings per share, return on equity). A study by Dezoort et al. (2000) also claims that while IBC based on measures of company performance could provide internal auditors with incentives to maximize shareholder wealth, it may also encourage internal auditors to improperly maximize performance measures for personal gain.

IBCs are awarded to both internal auditors and chief audit executives in Australia and Malaysia (Hanafi and Stewart, 2015). Research conducted in China also showed that the close-guanxi between management and internal auditors and bonuses as a form of incentive compensation impaired the objectivity of Chinese internal auditors. The compensation structure only had an impact on internal auditors' support of management when the guanxi was removed (Li et al., 2015)

Studies conducted by the IIA (2017; 2015a, 2015b) show that remuneration for internal auditors is steadily increasing. In Poland, the gross salary of an internal auditor with a regular full-time contract is between PLN 10,000 (Devire, 2022) and PLN 14,000 (Manpower, 2022). The range almost exactly matches the expectations of internal auditors, which range from PLN 9,500 (central or subnational government

TABLE 1. Ownership sector of the organization and attitude towards internal audit

| Organization | Attitude towards internal audit | Private sector | Public sector | Total |
|--------------|---------------------------------|----------------|---------------|-------|
| | positive | 6 | 1 | 7 |
| | neutral | 5 | 3 | 8 |
| | negative | 6 | 3 | 9 |
| | total | 17 | 7 | 24 |

SOURCE developed by the author.

institutions) to PLN 14,000 (manufacturing/ trade/ service companies/BPO/SSC) or PLN 15,000 (banks and insurance companies)² (Goldman Recruitment, 2022). CAEs are typically paid between PLN 20,000 (Manpower, 2022) and PLN 22,000 (Devire, 2022). The 2021 Antal's salary report showed that internal auditors and chief audit executives earned an average of PLN 12,096 in 2021, which is 4% less than in 2020. The Goldman Recruitment's salary survey (2022) estimated them at an average of 5%-15% of base salary for ordinary internal auditors, 5%-15% for IT auditors, and 10%-20% for CAEs

A qualitative study of internal auditors conducted by Grzesiak (2021a) showed a strong correlation between their remuneration and the effectiveness of internal audit. When discussing the perceived discrepancy between remuneration systems and the nature and objectives of internal audits, many of the study participants suggested reforming them to increase internal auditors' engagement, job satisfaction, and motivation, thus improving the effectiveness of internal audits (Grzesiak, 2021a). The findings of the study encouraged the author to continue her research, focusing on internal auditors' remuneration. The aim of this study was to answer two specific questions: 1) Based on the analysis of job advertisements, what is offered to internal auditors in Poland? 2) Do the remuneration packages for internal auditors meet their expectations?

3. METHODS

A qualitative research method (interviews with internal auditors and a content analysis of job advertisements as data sources) was used to answer the research questions.

Job advertisements were chosen as a source of information on internal auditors' remuneration for two reasons. One was the relative comparability

of their content, which facilitates the identification of remuneration trends among employers (Harper, 2012). The other reason was that job advertisements proved useful based on the results of a previous study by the author, which examined the skills requirements of internal auditors (cf. Grzesiak, 2019) and the tasks associated with aligning postgraduate programmes in internal audit with employers' needs (cf. Grzesiak, 2020).

Job advertisements were included in the analysis if they contained information on the competencies and responsibilities of the applicants. Advertisements that contained only the job title 'internal auditor' without specifying the terms of employment and the employers' expectations of the applicant's profile were disqualified. Whether the advertisements had a standard job advertisements format was not examined. All advertisements examined in the study were active on the IIA and Indeed websites in May 2022.

In May 2022, the semi-structured interviews were conducted with internal auditors, who were selected using a purposive sampling. Information on the study and invitations to participate in the study were distributed via LinkedIn. The invitations were accepted by 24 internal auditors, 12 of whom were IIA members representing private and public sector organizations. Interviews were conducted in person or online, depending on the preferences of the interviewees. The scenarios and questions were prepared based on a literature review and analysis of the content of job advertisements.

Seven of the respondents were employed by public institutions and the other 17 worked in private organisations. According to the respondents' opinions, 6 organisations in the private sector and 1 in the public sector appreciated internal audit, 5 and 6, respectively, had a neutral attitude towards it, and 6 and 3 respectively merely tolerated it. The respondents' gender, age, and educational background were omitted from the analysis, as they are irrelevant to the purpose of the study (Table 1).

2 Median values, bonuses not included.

The interviews were analysed and interpreted to formulate conclusions following the basic assumptions of grounded theory (Konecki, 2000; Charmaz, 2014) and according to the guidelines of content analysis as described by Gibb (2011) and Bryman and Burgess (1994). The codes that emerged from the analysis of the interview transcripts are: "benefits", "being an internal auditor as an intrinsic benefit", "bonuses and rewards", "dysfunctions in internal auditors' remuneration", and "factors influencing internal auditors' remuneration" are discussed below advantage from most to least frequent. They also served as titles for the tables with the selected statements of the interviewees.

4. RESULTS

The results of the study are presented separately for job advertisements and interviews with internal auditors.

Initially, 243 job advertisements were selected for analysis, but 86 of these were removed from the sample because they had similar content, were for internships and not full-time positions, or the job was insufficiently described. The remaining 157 advertisements (145 for internal auditors and 12 for Chief Audit Executives) were subjected to quantitative and qualitative analysis using basic statistical measures.

Almost all employers who sought internal auditors were located in the capital cities of Polish Voivodeships. Only in the Mazowieckie, Śląskie, and Łódzkie Voivodeships were internal auditors also sought in other cities (67, 12, and 11 advertisements respectively). There was a very low demand for the services of internal auditors in Dolnośląskie (9 advertisements), Opolskie and Pomorskie (8 each), Lubuskie, Małopolskie, Świętokrzyskie, and Wielkopolskie (7 each), Lubelskie and Podkarpackie (4 each), Podlaskie (3); Kujawsko-Pomorskie, Warmińsko-Mazurskie, and Zachodniopomorskie each accounted for only one advertisement.

Thirty-eight of the advertisements examined were published by central and local public institutions and 119 by private organisations, mostly (97) from the financial sector.

The type of employment arrangement was specified in 26 advertisements. Of these, 18 offered a regular employment contract, 3 civil-law contracts, 2 a fixed-term employment contract, 1 was looking for a replacement for a permanent employee, and 2 offered a B2B contract or a probationary employment contract. The other 131 advertisements did not specify the legal basis for the employment. Full-time and part-time positions were offered by 40 and 5

employers, respectively; the remaining 112 advertisements did not specify the weekly working hours.

In 119 advertisements, the start and end of the working day were not specified. Others stated typical office hours, from 9 a.m. to 5 p.m., from 7 a.m. to 3 p.m., or from 8 a.m. to 4 p.m. Fourteen advertisements offered flexible working hours and 19 mentioned unregulated working hours. In terms of work arrangements, 54 required presence at the workplace, 3 offered only remote work, and 8 a combination of remote and office work.

Although job advertisements usually specify the amount of remuneration and its components (basic salary, short-term incentives, long-term incentives, benefits), the majority of the advertisements analysed (120) did not. In 37 advertisements, remuneration was stated between the statutory minimum wage (new internal auditors) and as much as PLN 12,000 gross (CAEs). Thirteen advertisements stated the amounts of salaries and added that they were negotiable. Some employers described the remuneration in rather vague terms such as "attractive" (5), "competitive" (6), "to be agreed" (3), "according to the grade structure (pay scale)" (2), or "based on the results of the performance appraisal" (2). There was a promise that the base salary would be commensurate with the employee's experience (12) or reflect "increasing commitment to work and improvement of skills" (7). None of the advertisements mentioned rewards for team performance, task bonuses, or long-term incentives.

Ninety-one advertisements offered various annual, quarterly, or monthly bonuses in addition to the basic salary. The criteria for the award included the number of internal audits conducted (15 advertisements), the auditor's performance (12), the results of an internal audit, (3), the auditor's involvement (2), but above all the number of irregularities detected (17). Slightly less than a quarter of the advertisements (44) did not contain any information on the conditions for receiving a bonus. The advertisements did not contain any information that could be used to determine the amount of the bonuses.

In addition to stating the level of salary and bonuses, the advertisements also listed various benefits for the successful applicants. In the analysed job advertisements, the benefits mainly consist of retirement and healthcare programs, but also include a number of other benefits. The types of benefits and the number of mentions in the advertisements are summarised in Table 2.

TABLE 2. Benefits offered to internal auditors*³

| health, sports & recreation | miscellaneous |
|--|---|
| <ul style="list-style-type: none"> • sport cards (154) • medical benefits packages for an employee and their family members (150) • sport programmes (110) • employer-subsidised recreation (19) • board games for employees to play at work (19) • work-life balance programmes (19) • employer-subsidised cinema and theatre tickets (18) • keep-fit schemes (15) • relaxation spaces (14) • massage vouchers (11) • an on-site physician or a masseur (7) • holiday flats available at a discount (1) | <ul style="list-style-type: none"> • Christmas vouchers (47) • extra days off (22) • a parking place (21) • the absence of a dress code (21) • assistance in relocation (21) and a company flat (15) • discounts on company's products and services (61) • company-subsidised meals and beverages (57) • miscellaneous perquisites (51) • reimbursement of commuting costs (41) • participation in company's profits (38) • stocks and stock options (18) • private use of company devices (18) • care services for the employee's family members (13) • employee birthday celebrations (10) • employer-subsidised pension schemes (9) • salary paid regularly (5) and in due amount (6) • own desk (3) • work environment meeting the occupational health and safety standards (3) • secure employment based on a civil-law contract (3) • objective and fair evaluation of employee performance (1) |
| professional & personal development | family life |
| <ul style="list-style-type: none"> • support for and promotion of employees' initiatives (121) • a supportive coach, team, or leader (87) • promotion prospects (65) • an environment facilitating the development of teamwork skills (61) • respectful superiors and co-workers (7) • volunteering programmes (4) • independence in job performance (3) • participation in environmental projects (2) | <ul style="list-style-type: none"> • a company nursery or kindergarten (41) |

SOURCE: **reated by the author.**

* The numbers within the parentheses indicate the number of job advertisements

A total of 41 different (tangible and intangible) benefits were offered in the advertisements, which fall into the categories such as (1) health, sports, and recreation, (2) professional and personal development, (3) family life, and (4) miscellaneous. The average number of benefits per advertisement was four, which was below the market average⁴.

Nearly all advertisements referred to health care plans and benefits to underscore employers' commitment to the physical and mental well-being and comfort of employees. This confirms that employee well-being has become one of the most important trends in employee benefits in 2022 (Pawłowski, 2022).

In addition to listing the benefits to which the successful candidates would be entitled, the advertisements also highlighted the advantages of being an internal auditor in the organization. Almost two-thirds (98) described it as 'exciting' and 'challenging', 10 emphasised the stability of employment, almost half (79) promised

3 Many of these benefits are currently required by legislation.

4 In May 2022, Grant Thornton estimated the average number of benefits per advertisement at 6.6 benefits (Grant Thornton, 2022).

TABLE 3. Respondents’ perception of benefits according to the organisation’s attitude towards internal audit

| Sector | Attitude of the organization to internal audit | | |
|---------|--|--|---|
| | positive | neutral | negative |
| private | “A positive attitude towards internal audit is a great benefit [in itself].” | “Our benefits are not different from those elsewhere.” | “The benefits are below expectations. Everyone in our department demands “more training for internal auditors!” |
| | | | “It would be a benefit if my work was understood and supported.” |
| public | “Most of the benefits are intangible: a positive work environment, a super boss, a super team” | | “Auditors are excluded from cafeteria benefits plans (...), not because they don’t like us. [...] It is rather because of the lack of professionalism on the part of the HR department” |

SOURCE: prepared by the author.

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that the candidate would be part of a young and dynamic team, and about one-third offered involvement in building the organisation’s culture. The organisation’s strong market position and its commitment to equal opportunities for all employees were underscored in 91 advertisements. Many advertisements highlighted the ‘feedback culture’ (76) and the welcoming and friendly atmosphere in the workplace (71).

To attract, motivate, and retain employees, the compensation package must provide value to employees. In order to clarify this question, a qualitative research was conducted in the second part of the study. The interviewed internal auditors were also asked to provide their opinion on remuneration. The second part of the analysis focused on the content of the interviews with internal auditors. The tables below present some of the opinions and statements they shared with the author, depending on the sector of their organisation and their attitude towards internal audit.

The respondents showed a particular interest in benefits as part of remuneration packages, which is quite natural given that job seekers now place more value on benefits than they did before the pandemic.

The respondents expressed different views on the availability of benefits depending on their organisation’s approach to internal audit. Those who were employed in organisations where internal audit was only tolerated indicated that they were often considered ineligible for bonuses due to their role in the organization (Table 3).

The majority of organisations where respondents’ expectations of benefits were met had a positive attitude to internal audit. A negative or indifferent attitude to internal audit in the organisation was associated with the benefits being rated as insufficient and unsatisfactory. The most important benefits for

the respondents were intangible ones such as a positive work environment and understanding of and support for auditors’ work, the latter being equated with more training opportunities for auditors.

Most respondents indicated that they chose the profession of internal auditor not because of the earnings, but because of the satisfaction and sense of mission the job provides, as well as the prestige that membership in the IIA brings (Table 4).

In their comments on remuneration packages in their organisations, the respondents frequently mentioned that they should reward employees for their contribution to the organization’s strategic goals, implying that current packages do not reward the efforts of internal auditors. They were also critical of the bonus payment criteria, pointing out that the total number of audits or advisory audits performed in a year and the number of irregularities detected were obsolete, inadequate, and lacked motivational power. In their opinion, an effective remuneration system should not reward or punish employees, but should show them what the organisation expects of them, encourage them to achieve this goal, give them feedback on their performance, and support them in developing the necessary skills. They also emphasize that employees’ base salary, bonuses, and rewards should reflect their actual rather than potential contributions, which are derived from their work experience and competencies.

When addressing the issue of bonuses and rewards for internal auditors, the respondents claimed that the majority of them were bypassed by the system simply because they were internal auditors. Some respondents observed that employers did not reward them for success because they did not understand what a successful audit was (Table 5).

TABLE 4. Respondents' perception that the internal auditor profession is an intrinsic benefit, by organisation's attitude to internal audit

| Sector | Attitude of the organization towards internal audit | | |
|---------|---|---|---|
| | positive | neutral | negative |
| private | "(...) working as an internal auditor bring more benefits than the salary paid into my account." | "My main motivation to be an internal auditor is the importance of this job and my IIA membership." | "Internal auditors are not fairly remunerated. We do this job because we want to be auditors and help, not for material gains." |
| | "(...) the main motivation [to be an internal auditor] is smooth cooperation. Remuneration comes second to it." | | |
| public | | "We, the auditors, are idealists; we'll do our job with or without tangible rewards." | |

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SOURCE: prepared by the author.

TABLE 5. Respondents' perceptions of bonuses and rewards according to the organisation's attitude to internal audit

| Sector | Attitude of the organization towards internal audit | | |
|---------|--|---|--|
| | positive | neutral | negative |
| Private | "Auditors are rarely rewarded in the organisation. But it's not their fault." | "A bonus is [...] part of the regular salary [...]. There are no rewards for outstanding performance" | "They do not reward us because they do not know what to reward us for" |
| | "Where I worked before, auditors were not rewarded at all. My current employer understands internal audit and everything is fine, including the rewards." | "Bonuses for internal auditors are motivating, but the award criteria are often so strict that it is difficult to achieve them." | |
| | "Employees get bonuses for cooperating with us. It's a dream come true." | "The criteria for bonuses are poorly-defined – they should be awarded for the number of goals achieved, not the number of advisory audits." | |
| | "They [the organisation] use the wrong criteria to pay bonuses to internal auditors". | | |
| Public | "In theory, organisations should offer higher incentives for internal monitoring when the need for monitoring is greater. But that's not always the case". | "Ideas are rewarded, but we [internal auditors] are not eligible" | "The amount of bonuses depends on the company's regulations" |

SOURCE: prepared by the author.

Even these few comments reveal that the respondents are critical of their organisations' bonus and reward systems. In particular, they noted that the way the systems were designed did not improve

internal auditors' engagement with their work. The majority of organizations had no rewards for internal auditors at all, which the respondents felt was due to an outdated understanding of the role of remuneration.

TABLE 6. Respondents' perception of dysfunction in internal auditor remuneration according to the organisation's attitude towards internal audit

| Sector | Attitude of the organization towards internal audit | | |
|---------|--|---|--|
| | positive | neutral | negative |
| private | "Many of the audit-reluctant organisations reward auditors according to the number of irregularities detected. My previous employer was like that. This one is different." | "[Our remuneration system] is not quite fair (...). Especially for internal auditors (...). Moreover, since it has not been revised for years, it is inconsistent with the contemporary market standards." | "Remuneration based on market prices? Surveys of employees' opinions? Yes, but not for internal auditors." |
| | | "(...) remuneration management involves more than just paying money to employees. It should also inform them about how their salary is calculated. The one in my organisation does not do that, so the internal auditors are suspected of being paid for the number of irregularities they find." | "This job is generally underpaid (...) I think that auditors are paid too little compared to their responsibilities and the demands of the job". |
| public | | "Internal auditors are not paid for overtime; we can claim paid time off work as compensation, but we are always short of time ..." | "Internal auditors' salaries are paid irregularly or delayed". |

SOURCE: prepared by the author.

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neration rather than a disregard for the function of internal audit. In their opinion, organisations that are aware of the benefits of internal audit and employ internal auditors with IIA membership would be more likely to apply more rational criteria for their remuneration.

One of the problems with remuneration package pointed out by the surveyed auditors was the evaluation of employee performance and the lack of bonuses for internal auditors in organisations where the internal audit function had a low status. Some of the dysfunctions of the remuneration systems mentioned by the respondents are summarised in Table 6.

The least controversial elements of the remuneration systems were the salary structure, pay scales, and job evaluations, which were mentioned least frequently by the respondents. As for job evaluations, organisations were criticised for not conducting them at all or for using outdated evaluation data.

From the respondents' perspective, the remuneration packages offered did not match the demands and challenges of their job, nor were they an appropriate measure of their qualifications and experience. They were also rated as inconsistent with the market rates (Table 7).

The interviews can be summarised as follows. For the overwhelming majority of the respondents, the main reasons for being internal auditors were IIA membership, the prestige of the profession, and its mission and not remuneration, which was dysfunctional in many ways, and unsatisfactory compensation for their competencies and performance.

5. DISCUSSION

The analysis of 157 job advertisements and 24 interviews with internal auditors from private and public organisations aimed to answer two research questions: (1) Based on the analysis of job advertisements, what is offered to internal auditors in Poland? (2) Do the remuneration packages for internal auditors adequately meet their expectations?

The analysis of job advertisements showed that employers, regardless of the industry in which they operate, emphasized the variety of benefits that the successful candidate would receive (mainly sports cards, medical benefits packages, professional and personal development opportunities) in order to better distinguish themselves in the competitive labour

TABLE 7. Respondents' perceptions of factors affecting their remuneration, broken down by the organisation's attitude towards internal audit

| Sector | Attitude of the organization towards internal audit | | |
|---------|--|---|---|
| | positive | neutral | negative |
| Private | "Remuneration is not related to performance or competencies; it sometimes reflects the number of irregularities detected." | "Remuneration has no elements that reward the quality and performance of my work and my effectiveness as an auditor" | "A job evaluation has no influence on how much I earn". |
| | | "Unfortunately, the employer has not conducted job evaluations. The situation [in terms of remuneration] would probably have been better if they had been done" | "The pay scale reflects [the organisation's] reluctance towards us [internal auditors]" |
| public | | "The remuneration of internal auditors is inconsistent with the market rates" | |

SOURCE: prepared by the author.

market (cf. Treven, 2001). However, the survey participants were sceptical as to whether the employers would keep their promises. They attached great importance to the working atmosphere, and professional development as types of benefits and compensation. As they noted based on their previous experiences, many job advertisements were inconsistent with organisations' benefit policies. They also stated that internal auditors were the only employee group that many organisations rarely gave the opportunity to develop their professional skills.

Flexible remuneration systems that adequately reward employees for individual and team performance are necessary for organisations to navigate safely through volatile internal and external environments. The research has shown that the awareness of this is not widespread: some of the studied organisations and represented by the respondents, used traditional remuneration systems that lagged behind contemporary challenges and employee expectations; others implemented systems that better addressed the needs and aspirations of today's employees, but internal auditors rarely benefited from them.

The interviewed auditors admitted that one of the main reasons they left their previous employers was a dysfunctional remuneration system, particularly the bonus-award rules. They also criticized the remuneration systems in their current organisations for not adequately rewarding them for their performance and competencies and for the rigidity preventing salary adjustments. In their comments on their organisations' criteria for awarding bonuses,

some respondents pointed out that the number of irregularities and errors detected is used as the basis for determining the internal auditors' entitlement to bonuses and their amount. In their opinion, this approach shows that organisations are not aware of the potential of modern internal audit, which has evolved over time from a quasi-accounting function to a function that can improve many aspects of organisations' operations.

The employers' emphasis on offering employees tangible benefits proved to be amiss with what Polish employees appreciate in workplaces. According to one survey, most of them value comfort of work, a friendly workplace atmosphere, stability of employment, and short commuting times (ARC Rynek and Opinia). This mismatch indicates that Polish employers have a limited understanding of what their employees need and expect.

According to the respondents, the remuneration systems used in their organisations were ineffective and did not provide incentives to improve their performance. Meanwhile, it is critical for organisations to implement effective compensation to motivate employees to perform their work and tasks better and be more productive (Beqiri and Aziri, 2022). Even though most internal auditors pursue their profession because they believe in its purpose and not because of the money involved, it seems necessary for employers to do something to address this issue. Permanently dissatisfied employees may start looking for organisations with more motivating remuneration systems. Respondents did not feel that

the remuneration was understandable. For them, it was not fairly and appropriately structured in their organisations, was inadequate for their work and at the same time did not reflect the changes in the labour market. Fair compensation structures play an influential role in providing incentives to employees and making them feel that they are valuable to the company and work effectively (Pathak & Pandey, 2019). An effective remuneration system encourages ethical behaviour and improves employee performance by being well-structured, customer-oriented, strategically aligned with organizational goals, and well-designed (Beqiri and Aziri, 2022). Organizations can influence employee attitudes through remuneration, which has a direct impact on employee effectiveness. More and more businesses are analysing the attitudes and opinions of their employees to ensure their satisfaction and performance. The long-term effectiveness of a remuneration system depends on its ability to evolve with changes in the organisation's environment, financial resources, employee competencies, and labour market conditions. The systems in the respondents' organisations probably lacked this flexibility, as many of them felt it was necessary for organizations to reform their remuneration systems to better respond to changes, to reward employees fairly for their competencies and performance, and motivate them to improve their performance and deliver the expected results.

The study has a number of limitations related to the use of job advertisements and interviews as the data source. Job advertisements do not accurately reflect workplace conditions, as their main purpose is to make an employer appear attractive to those who have the required skills and are looking for a job. They are also not directly comparable for several reasons, although they are usually worded in the same standard format. First, employers typically advertise benefits that they can afford, which vary due to organisations' different potential to pay their employees. Second, employers describe positions in advertisements using catchy but vague terms such as "a rich package of benefits", "attractive remuneration", "good employment conditions", and "favourable working conditions", etc., the actual meaning of which may vary from employer to employer (Faberman and Kudlyak, 2016; Kim and Angnakoon, 2016).

The study has a number of limitations relating to the use of job advertisements and interviews as the data source. Job advertisements are not an exact reflection of the workplace circumstances, as their main purpose is to make an employer look attractive to who have the necessary qualifications and seek jobs. Further, although they tend to be formulated using the same standard format, they are not directly com-

parable for several reasons. Firstly, employers usually promote benefits they can afford, which are different because of organisations' different potential to pay their staff. Secondly, employers describe positions in advertisements in catchy but vague terms such as "a rich package of benefits", "attractive remuneration", "good employment conditions", and "favourable working conditions", etc., the actual meaning of which may vary from employer to employer (Faberman and Kudlyak, 2016; Kim and Angnakoon, 2016).

There were three main limitations to the interviews. The respondents naturally concentrated on remuneration systems and packages of their specific organizations and discussed these in varying degrees of detail. Each organisation was unique and had its own remuneration budget (compensation determines not only performance but also budget constraints; Beqiri and Aziri, 2022). The second limitation is that the interviews were conducted shortly after the pandemic had subsided, when organizations were in the process of adapting employee benefits packages to changing business circumstances (cf. Babbie, 2016). Furthermore, the limitations of the research stem from the fact that the interviews relied mainly on respondents' opinions and assessments of remuneration and the value they perceive of remuneration may be differ, depending on what they want to achieve (each employee perceives the value of remuneration differently, because it depends on the desired outcomes; cf. Hillebrink et al., 2008).

6. CONCLUSION

This research focused on a specific group of employees and their opinions on remuneration in the organization and the reality of the labour market. This qualitative analysis of 157 job advertisements and interviews with 24 internal auditors from private and public sectors has increased knowledge of their remuneration.

It has revealed that although systems where internal auditors are traditionally rewarded for the number of irregularities and errors, etc. detected are still prevalent among employers, some offer remunerations schemes that focus on more modern solutions (e.g., a higher proportion of long-term incentives in total salary) to align employees with the organisational goals and motivate them to deliver results. A modern remuneration package is more diverse internally, as its design reflects the characteristics and needs of different employee groups and departments within the organisation (Milkovich et al., 2010). According to the respondents, such solutions rarely occur in organisations that view internal audit

as an undesirable necessity. Based on the results, it seems that the respondents' organizations do not invest much in internal auditors' remuneration and that they do not expect internal auditors to be effective and perform well.

Although the sample of respondents is not being and no quantitative methods of analysis were used, two general observations can be made. The first is that only internal auditors from organisations with a positive or neutral attitude towards internal audit indicated that their expectations regarding remuneration and its components were met. The second observation is that in most organizations with a positive attitude towards the audit function and the IA department, all internal auditors were IIA members. These two observations lead to two more research

questions: 1) Why are organizations that employ IIA members more likely to have internal auditors on board? 2) Should internal auditors who want to improve status in the workplace therefore seek IIA membership?

The main reason for the study's limitations is that the job advertisements and the surveyed internal auditors described organisations with different financial resources and different attitudes towards internal audit. As a result, the comparability of the benefits they offered was limited. Despite these limitations, the results of the study may help internal auditors navigate contemporary labour market and provide a new perspective for internal audit theorists. It is hoped that, the issues arising from the study will be addressed in future research.

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NAKNADA ZA RAD INTERNIH REVIZORA U POLJSKOJ

SAŽETAK

Studija je bila usmjerena na određivanje načina isplaćivanja zarada internih revizora u javnim i privatnim organizacijama u Poljskoj. Provedena je analiza sadržaja 157 oglasa za posao internih revizora koje su objavili poljski poslodavci, kao i razgovori s 24 interna revizora iz privatnog i javnog sektora. Studija je pokazala da se internim revizorima u Poljskoj nude suvremeni bonusi, poput podjele dobiti ili dugoročnih poticaja, kao i bonusi koji se određuju prema tradicionalnim kriterijima, poput broja otkrivenih nepravilnosti; potonje su kritizirali interni revizori kao nezadovoljavajuće te su se žalili da ne ispunjavaju njihova očekivanja. Paketi zarade koje koriste pojedine organizacije ne nagrađuju interne revizore na odgovarajući način za njihov rad, samim tim ih ne motiviraju za rad u skladu s organizacijskim ciljevima te ciljevima interne revizije. Kako bi povećale učinkovitost i potaknule motivaciju, organizacije bi trebale bolje prilagoditi svoju strukturu očekivanjima i potrebama internih revizora.

Rezultati studije daju preliminarni okvir za provođenje istraživanja o položaju unutarnjih revizora na radnom mjestu. Također mogu pomoći internim revizorima i kandidatima za posao kada razmišljaju o promjeni poslodavca te pomoći poslodavcima da razumiju financijska očekivanja internih revizora.

KLJUČNE RIJEČI: *interni revizori, razgovori za posao, kvalitativno istraživanje, oglasi za posao, zarada, upravljanje ljudskim potencijalima, pretpostavke utemeljene teorije*

