

Do internal auditors in the Algerian public organizations contribute to create added value?

مدى مساهمة المدقق الداخلي في خلق القيمة المضافة في المؤسسات العمومية الجزائرية

Boulafrakh Sarra

Ferhat Abbas University Setif 1, sarah_boulafrakh@yahoo.com

Received: 30./08/2019

Accepted: 14/11/2019

Published: 01/01/2020

Abstract:

This study aims to identify and demonstrate the contribution of internal auditors to the creation of added value in a sample of Algerian public organizations, this study was conducted based on a survey designed and distributed to a random sample of 36 internal auditors in 20 Algerian public organizations. The response rate was 83% as 30 auditors responded. We used statistical methods to analyze the four principle hypotheses developed.

We found that the internal auditors in Algerian public organizations are independent, objective and competent, and they create added value through the evaluation of the internal control system, risk management processes and governance processes.

Keywords: Internal Audit, Internal control, Risk Management, governance, added value.

JEL Classification Codes: M42.

ملخص:

تهدف هذه الدراسة إلى تحديد مدى مساهمة التدقيق الداخلي في عينة من المؤسسات العمومية الجزائرية في خلق القيمة المضافة، وقد أجريت هذه الدراسة بالاعتماد على استبيان تم تصميمه وتوزيعه على عينة عشوائية من 36 مدقق داخلي في 20 مؤسسة عمومية جزائرية، حيث كان معدل الاستجابة 83%. أي 30 مدقق داخلي، وقد استخدمنا الأساليب الإحصائية للدراسة الوصفية ولاختبار وتحليل الفرضيات الرئيسية الأربعة المتقدمة.

Corresponding author: Boulafrakh Sarra, *e-mail* sarah_boulafrakh@yahoo.com.

نتائج الدراسة أظهرت أن المدققون الداخليون في المؤسسات العمومية الجزائرية يتميزون بالاستقلالية، والموضوعية وكذا المهارات اللازمة من أجل المساهمة في خلق القيمة المضافة، حيث يساهمون في ذلك من خلال تقييم نظام الرقابة الداخلية وإجراءات إدارة المخاطر وعمليات الحوكمة.

كلمات مفتاحية: التدقيق الداخلي، الرقابة الداخلية، إدارة المخاطر، الحوكمة، القيمة المضافة.

تصنيفات JEL: M42.

1. INTRODUCTION

In this challenging and fast changing environment, competitors, technologies, and financial instruments, changing cost structures and regulations, increasingly integrated global economies, and other developments are creating new risks and opportunities for organizations to consider, many leaders have recognized the need for internal audit to play a larger role -one that expands on its historic focus on value preservation (a control focus) to encompass activities related to value creation (a performance focus), such a shift could enable internal audit- to bring value to the business in new ways. (KPMG, 2007, p. 2) And expectations about the added value that internal auditors can bring to their business are higher than ever. Many auditors are ready to take up the challenge and want to take their place at the round table. As Richard Chambers observed, the internal auditing profession and its journey from "the back room to the board room" is being closely watched. (The Dallas research committee, 2011, p. 3)

In Algeria, the internal audit started to grow in the organizations and in public ones in particular from 1988, and that after the appearance of the law n ° 88-01 of January 12th, 1988 about the public companies, which obliged to reinforce the structures of internal control by implanting an internal audit cell within each Algerian public company, the establishment was relatively late and the internal audit is still at the stage of financial audit, so hard to extend audit work to other focus area such as risk management and governance of the entire organization. Especially that there is no law obligation to apply the standards of the IIA, but even though so many studies showed that Algerian organizations are trying to learn from western advanced theory and technology to ameliorate their IA.

Considering all this, the study presented here aims to answer the main question which is: does internal audit contribute to add value to the Algerian organizations?

The study aims to identify the focus area in which internal audit can add value to the Algerian organizations, such as IA quality, internal control, risk management and governance, as well as studying the contribution of IA to these areas, with taking in consideration the Algerian environment, known as not developed as it should be, and with an overall modest progression of the new definition of the IA function's application.

2. LITERATURE REVIEW:

According to the IIA's Definition of Internal Auditing that states the fundamental purpose, nature, and scope of internal auditing "*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*"; (IIA, Definition of internal auditing, 1999) and "Value is provided by improving opportunities to achieve organizational objectives, identifying operational improvement, and/or reducing risk exposure through both assurance and consulting services" (IIA I. o., 2017, p. 21).

The Mission of Internal Audit articulates what internal audit aspires to accomplish within an organization, to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

As we have mentioned in the previous, the main mission and role of the internal audit function in any organization is to add value, and according to many studies about how to create this value, we find that most focus on the same activities defined in the IIA definition, such as risk management, internal control and governance.

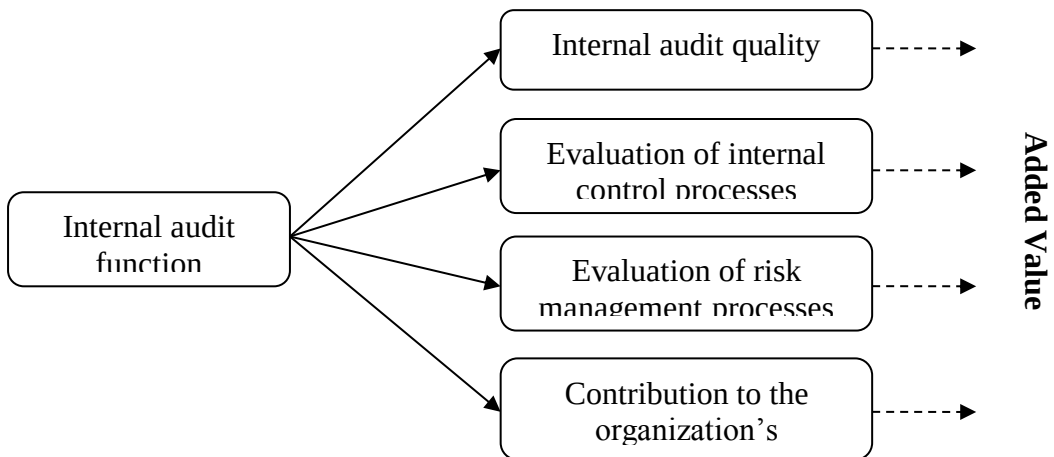
According to (The Dallas research committee, 2011, p. 4) to define internal audit's added value, we must question the impact of internal audit on the attached activities, based on the global internal audit survey elaborated by the IIA, the committee focused on 05 of internal audit activities where

audit can add value: Audits of enterprise risk management processes, project management assurance/audits of major projects, corporate governance reviews, reviews addressing linkage of strategy and company performance and social and sustainability audits.

(Willis, 2016, p. 4) focused in his study on risk based approach for more value of the internal audit function, (Barnia, 2015, p. 14) noted in his study realized in Morocco that the value added by internal audit is dependent on an adequate control environment, the existence of audit committees with independent and competent members, the existence of risk management processes, control internal and formalized corporate governance as well as the independence and competence of the Internal Auditors.

We can deduce that the most important criteria (taking into account the environment of Algerian organizations) in the internal audit function to add value, and that we will rely on to carry out our study are as follows:

Fig.1. The research model: Focus areas in which internal audit could add value



Source: By researcher based on the literature reviews

2.1. Internal audit quality:

The accounting literature did not agree on a unified definition of the IA quality, although there were some attempts that contributed to its measurement, in a study on Saudi Arabia listed companies (Al-Shetwi, Ramadili, chowdury, & Sori, 2011, p. 4) highlighted that IA quality was measured by using three attributes as employed in many prior studies, the first is proficiency and due care, its determinants items are (education

background, professional qualification, continuing professional development, IA experience in auditing...), the second is independence, and it was determinant through items such as (ability to assess the necessary information, non involvement in jobs other than auditing, non involvement in installation of IA procedures, reporting to the audit committee or the board...), and the third is performance of IA work, determinant by (the IA report, IA scope, IA size, and management's response to IA reports...).

The study of (Mihret & Yismaw, 2007, p. 4) identified some important elements as IA quality standards, such as: internal auditors' experience and scope of work, as well as the efficiency of planning and communication available to internal auditors, results of the study found that such factors contribute significantly to improving the efficiency of internal audit activities. In another study the determinants of internal audit quality are professional experience, professional certification, training, objectivity, volume of funds invested in the internal audit function. (Prawitt, Smith, & Wood, 2009, p. 3).

According to the IIA (1210 standard) internal auditors are expected to *“possess the knowledge, skills, and other competencies needed to perform their individual responsibilities”* (IIA I. o., 2017, p. 6), (Chang, Chen, & Cheng, 2019, p. 5) mentioned that the proxies for competence generally include education, professional qualifications, experience, and training.

We can resume that internal audit quality most important dominants are: Independence, objectivity and competence of the internal auditor. Accordingly, we state our first hypothesis as follows:

HP01: The internal auditor creates value in the organization by being independent, objective and competent.

2.2. Evaluation of internal control processes:

The chief aim of IA is to prevent control failure which results in the failure of the organization's achievement of the strategic goals and objectives (Gabrini, 2013, p. 41), and a strong internal audit function makes the internal control system increasingly efficient and effective. (Hughes, 2011, p. 56). (Chekroun, 2014, p. 274) highlighted through a case study of two large Algerian organizations, the contribution of the internal audit function to the

effectiveness and efficiency of the internal control system, results showed that although the internal audit functions have not yet come close to achieving their full potential, they have brought real value to improving the internal control system in terms of efficiency and effectiveness in the studied organizations. According to (IIA I. o., 2017, p. 14) in the Standard 2130: Control, the internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organization's governance, operations, and information systems regarding the:

- Achievement of the organization's strategic objectives.
- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations and programs.
- Safeguarding of assets.
- Compliance with laws, regulations, policies, procedures, and contracts.

Accordingly, we state our second hypothesis as follows:

HP02: The internal auditor evaluates the internal control processes in order to add value to the organization.

2.3. Evaluation of risk management processes:

Researches has shown that board directors and internal auditors agree that the two most important ways that internal auditing provides value to the organization are in providing objective assurance that the major business risks are being managed appropriately and providing assurance that the risk management and internal control framework is operating effectively (IIA, The role of internal audit in enterprise-wide risk management, 2009), many organizations who are planning to implement enterprise risk management are seeking help from internal auditors because they are considered as people who understand risk assessment and control. (Pramesh, 2013, p. 8).

According to (Gramling & Myers, 2006, p. 52) the internal auditor influences five components of enterprise risk management. It provides reasonable assurance about the risk management process, that the risks are properly assessed, that the risk management process has been properly assessed, that the reporting of major risks has been properly established and that the main risks has been determined. (Pramesh, 2013, p. 8) cites key factors to consider when determining the internal audit role in risk

management: whether the activity poses threats to the independence and objectivity of internal audits; and whether it is likely to improve the organization's risk management, control and governance processes. According of the previous we state our third hypothesis as follows:

HP03: The internal auditor evaluates the risk management processes in order to add value to the organization.

2.4. Contribution to the organization's governance:

Internal auditing is involved in many of the current discussions taking place on corporate governance practices. Its commentary on current developments has and is contributing to future changes and improvements in these practices (D'Silva & Ridley, 2007, p. 121), and according to the IIA standard 2110 the internal audit activity should assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives: Promoting appropriate ethics and values within the organization, ensuring effective organizational performance management and accountability, effectively communicating risk and control information to appropriate areas of the organization, and coordinating the activities of and communicating information among the board, external and internal auditors, and management (IIA I. o., 2017, p. 12). Accordingly, we state our forth hypothesis as follows:

HP04: The internal auditor contributes to the governance processes in order to add value to the organization.

3. RESEARCH METHOD AND DATA COLLECTION:

3.1. Population and Sample of the Study:

The population of the study consists of internal auditors working in a sample of 20 Algerian public organizations. (36) Questionnaires were distributed among the participants of the study sample, of which (30) were recovered. The selected sample consists of only internal auditors in large Algerian public organizations, and only internal auditors of management which exclude the internal auditors of quality (with only a main task of applying ISO).

Table 1. Sample of the study

N	Enterprise	DS	RS	N	Enterprise	DS	RS
1	BCR	2	1	11	ALMOULES	1	1
2	SANIAK	1	1	12	RIYAD	2	1
3	CONSTRIB-EST	2	2	13	EMIVAR	2	1
4	CIMENTERIE	2	2	14	MEDIFIL	2	2
5	EPEST	1	1	15	AMC	4	3
6	SIPLAST	1	1	16	TRIFESOUD	2	2
7	CALPLAST	1	1	17	SETS	2	2
8	LITTERIE TELL	2	2	18	SOFIPLAST	1	1
9	CALPLAST	1	1	19	ANABIB	4	3
10	ENPC	1	1	20	EMBAG	2	1
		14	13			22	17

DS Distributed surveys:36

RS Returned surveys: 30/20 enterprises

Response percentage: 83%

Source: By researcher based on the information obtained from the National Center for Commercial Registration.

3.2. Data collection:

The questionnaire was developed by referring to prior literature and especially IPPF standards for data collection; we interviewed also so many internal auditors, especially those with long experience, in order to collect further information and explanation about the environment of internal audit in Algerian public organizations.

The questionnaire consisted of (46) items, based on Likert three point scale, in which high agreement with the content of the item was given three points, less agreement two points and high disagreement one point.

3.3. Statistical Methods:

Descriptive statistics were used, Questionnaire was handed out to a sample of 36 internal auditors in 20 Algerian public organizations, whereas 30 were retrieved which represent 83% of the total. The researcher used the Statistical Package of the Social Science (SPSS.V.22) to analyze data. The statistics techniques used in data analysis include Cronbach alpha to assess the reliability, means and standard deviation for descriptive analysis.

One sample T-Test was used in order to test our hypotheses, so that the null hypothesis is rejected if the mean exceeds the cut point (2), or when sig is less than 0.05.

3.4. Reliability Analysis of items

We used the Cronbach Alfa coefficient to measure the reliability of items that measure study variables, which included four stakeholder groups: customers, competitors, employees, and shareholders. Two dimensions of business performance: financial and market performance, corporate social performance. The results are listed in Table (2), where we found the value of Cronbach Alfa 89.5% which is acceptable and statistically significant.

Table 2. Reliability test

Cronbach Alfa	Element number
0,895	46

Source: By researcher from Spss output

4. RESULTS AND DISCUSSION:

Collected data has been analyzed and test hypotheses through SPSS program version 22. Descriptive statistic, Mean, Standard deviation, T test Analysis were used to analyze the data.

4.1. Descriptive analysis:

This section illustrates the descriptive statistics for each variable and its item as mean and standard deviation, beside the rank and the level of importance. In order to analyze the questionnaire paragraphs and interpret the results accurately, the analysis scale categories were defined as follows:

- Strongly disagree 1 - 1.66 with a low degree of importance;
- Less agree 1.67-2.33 with a mid degree of importance;
- Strongly agree 2.34 - 3 with a high degree of importance.

4.1.1 Descriptive analysis of the first axis:

Table 3. Results of the independence, objectivity and competence of the internal auditors of the sample

Items	Mean	S.D	Rank	Degree
Existence of an internal audit charter that determines your objectives and your responsibilities in your organization;	2,70	0,702	7	High
The objectives, responsibilities and mandate of the internal auditor are defined clearly and in detail by the organization's board of directors;	2,47	0,730	11	High
Your internal audit department is organizationally linked to the highest level of management;	2,80	0,484	4	High

The internal auditor in your organization has direct contact with the chairman of the board;	2,23	0,774	15	Mid
The internal auditor can carry out his tasks and report his findings without any intervention;	2,50	0,777	9	High
The internal auditor can make decisions without pressure;	2,30	0,837	14	Mid
The internal auditor of your organization does not participate in any activity that may affect his objectivity and the interests of the organization;	2,67	0,606	8	High
The internal auditor of your organization does not evaluate the work for which he was previously responsible;	2,33	0,711	12	Mid
The internal auditor of your organization can submit complaint to (the management or the audit committee) when his independence is threatened;	2,73	0,521	5	High
Your organization's internal auditor can access the archives and the right people to perform their duties without any obstacles;	2,83	0,461	3	High
The internal auditor of your organization has sufficient knowledge of international standards for the professional practice of internal auditing;	2,70	0,466	6	High
Your organization's internal auditor continually reviews new publications in the field of the profession;	2,47	0,629	10	High
The internal auditor of your organization is aware of the laws and regulations of the profession;	2,87	0,346	1	High
The internal auditor of your organization seek to increase knowledge through ongoing contact with other internal auditors to share their experiences;	2,33	0,758	13	Mid
Your organization's internal auditor provides services with the necessary knowledge and efficiency.	2,83	0,379	2	High
Total	2,58	0,288		High

Source: By Researcher from Spss output

The table 03 represents the level f independence, objectivity and competence of the internal auditors in the Algerian public organizations of the sample, results about independence in the first five items shows that the internal auditors of the sample are independent thanks to the existence of internal audit charter (with the highest mean of 2.7 & sta.dev 0,7), also to the attachment of the internal auditor to the highest level of management of

Do internal auditors in the Algerian public organizations contribute to create added value?

the organization, (mean 2.8 with a sta.dev of 0,48), but from the table we can notice that the biggest threat to this independency is the lake of a direct contact between the auditor and the chairman of the board;

The next five items (from 6 to 10) about the objectivity of the internal auditors in our sample of public organizations had the highest mean for the 10th item which confirm that internal auditor can access the archives and the right people to perform his duties without any obstacles (mean 2.83 and standard deviation 0.461);

At last items from (10 to 15) determine the competence of the internal auditors, results shows that they are aware of the laws and regulations of the profession with the highest mean of all items 2.87 & sta.dev 0.346, although the internal auditors in our sample are considered competent, however they share less their experiences with other internal auditors in order to increase their knowledge (with the lowest mean of a mid degree 2.33 and sta.dev of 0.758).

4.1.2. Analysis descriptive of the second axis:

Table 4. Results of the role of internal audit in the evaluation of the control system

Items	Mean	S.D	Rank	Degree
Ensure a good level of performance for your organization;	2,77	0,430	4	High
The internal auditor verifies that the internal procedures of your organization are respected;	3,00	0,000	1	High
Ensure that internal procedures comply with the laws in your organization;	3,00	0,000	2	High
The internal auditor assesses the effectiveness of your organization's risk control measures;	2,83	0,379	3	High
Ensure the efficiency and effectiveness of your organization's accounting and financial information systems;	2,53	0,571	9	High
Guarantee the transparency and reliability of the financial information provided in the financial statements;	2,67	0,606	7	High
Ensure that the necessary information is provided in the financial statements of your organization;	2,63	0,615	8	High
Ensure that the assets of the institution are protected;	2,77	0,504	5	High

Ensure the effectiveness of the means implemented to protect assets;	2,73	0,450	6	High
Try to find balance between the interests of all parties and the benefits of the organization.	2,37	0,669	10	High
Total	2.73	0,266		High

Source: By Researcher from Spss output

Table 4 shows that the internal auditors in the organizations of our sample does highly contribute to the evaluation of the internal control system, with a mean of 2.73 and standard deviation of 0.226, Through the verification of the internal procedures and if they are respected (Mean 3, Sta.dev 0.00), and if they comply with laws in the organizations of the sample (Mean 3, Sta.dev 0.00), also the auditor contribute in the assessing of the effectiveness of the risk control measures and ensuring a good level of performance, In the other hand he contributes less to create balance between the interests of all parties and the benefits of the organization (Mean 2.37& Sta.Dev 0.669).

4.1.3. Descriptive analysis of the third axis:

Table 5. Results of the role of internal audit in the assessment of risk management processes

Items	Mean	S.D	Rank	Degree
Coordinate with the risk manager to identify risks in your organization;	2,10	0,923	12	Mid
Conduct interviews with managers at different levels of management to determine the risks of each level;	2,67	0,661	2	High
The internal auditor is partially responsible for developing the policies and procedures required for risk management;	2,10	0,885	11	Mid
Review the strategies and policies adopted by your organization's management to identify risks;	1,90	0,662	13	Mid
Prepare a comprehensive audit plan identifying areas of risk in the various activities of the organization;	2,67	0,606	1	High
Review previous risk assessment reports prepared by management, internal auditors and external auditors;	2,50	0,731	6	High
Evaluate all types of risks that your organization's activities face on a regular and ongoing basis;	2,57	0,679	3	High
Document the results of the risk assessment and associated controls for each activity;	2,53	0,730	4	High
Assessment and classification of risks according to the priorities;	2,10	0,803	10	Mid

Do internal auditors in the Algerian public organizations contribute to create added value?

Review and evaluate risk management processes and make recommendations to improve their effectiveness;	2,40	0,855	8	High
Contribution in making corrective decisions (prevention, reduction, transfer, acceptance);	2,50	0,630	5	High
Submit periodic reports to the audit committee (board of directors if applicable) about the results of the risk response;	2,27	0,828	9	Mid
The internal auditor reviews risks periodically so that the board of directors can find solutions.	2,40	0,770	7	High
Total	2.36	0.505		Mid

Source: By Researcher from Spss output

Results shows that the internal auditors of our sample contribute with a medium degree in the assessment of risk management represented by a mean of 2.36 and standard deviation 0.5, mainly the internal auditors contribute to assess risk management through the preparation of audit plan (mean 2.67 and sta.dev 0.6), identifying risks in the different activities (mean 2.67 & sta.dev 0.66) and the evaluation of all type of risk that these activities face on a regular basis (mean 2.57 & sta.dev 0.67). In the other hand the internal auditor contributes less in checking the strategies adopted to identify risks (mean 1.90 & sta.dev 0.66) and doesn't coordinate with the risk manager (mean 2.10; Sta.dev 0.92).

4.1.4. Descriptive analysis of the forth axis:

Table 6. Internal audit contributes to the improvement of governance processes

Items	Mean	S.D	Rank	Degree
Evaluate the effectiveness of corporate governance practices in your organization;	2,20	0,714	7	Mid
Provide consulting services to improve corporate governance practices in your organization;	2,33	0,758	5	Mid
Internal audit facilitates the tasks of the external auditor to perform his job in good condition;	2,87	0,346	2	High
Assist in verifying the accuracy of financial statements and the reduction of information asymmetry;	2,63	0,490	3	High
There is cooperation between the internal auditor and the board of directors of your organization;	2,27	0,828	6	Mid
Submit your annual report to senior management;	2,90	0,403	1	High

Allow employees to have an idea about the situation of the organization;	2,20	0,805	8	Mid
Protect shareholders' assets through the declaration of the accuracy of reports and financial statements.	2,43	0,774	4	High
Total	2.4792	0.33004		High

Source: By Researcher from Spss output

The table 06 above shows that the general mean of the axis was 2.47, with standard deviation of 0.33, which reflects the contribution of the internal auditor to the governance processes in public organizations of our sample with a fairly high degree, the highest mean of the items was (2.90) with standard deviation (0.403) through the submission of an annual report to senior management; facilitating the tasks of the external auditor to perform his job in good condition (mean 2.87 & sta.dev 0.346) and also verifying the accuracy of financial statements and financial information administered to the external auditor for certification and the reduction of information asymmetry (mean 2.63 & sta.dev 0.490);

On the other hand, we note from the smallest mean 2.20 and sta.dev of 0.714 that the auditor contributes less to evaluate the effectiveness of corporate governance practices, and to allow employees to have an idea about the situation of the organization (mean 2.20 & sta.dev 0.805).

4.2. Testing hypotheses:

4.2.1. Hypothesis 01:

In order to test the first hypothesis “the internal auditor creates value in the organization by being independent, objective and competent” we formed it as follow:

- **H0:** The internal auditors in Algerian public organizations are not dependent, objective or competent.
- **H1:** The internal auditors in Algerian public organizations are dependent, objective and competent.

Table 7. Results of t-test for the first hypothesis of the study

Dependent Variable	Mean	Std. Dev.	T Value	Sig
Hypothesis 01	2.5844	0.28857	11.093	0.000

Source: By Researcher from Spss output

The table above shows the results of the first hypothesis where the value of (T) was (11,093), with a sig. level of (0.000), which is statistically

significant at ($\alpha \leq 0.05$), which indicates that the mean is statistically significant.

Based on these results, the first null hypothesis is rejected, and the alternative hypothesis is accepted, which states that "The internal auditors in Algerian public organizations are dependent, objective and competent". This allows him to create added value.

4.2.2. Hypothesis 02:

"The internal auditor evaluates the internal control processes in order to add value to the organization", to test the hypothesis we form the null and the alternative hypothesis as follow:

- **H0:** The internal auditor in the Algerian public organizations does not contribute to the evaluation of the internal control processes;
- **H1:** The internal auditor in the Algerian public organizations contributes to the evaluation of the internal control processes.

Table 8. Results of t-test for the second hypothesis of the study

Dependent Variable	Mean	Std. Dev.	T Value	Sig
Hypothesis 02	2.7300	2.26672	14.991	0.000

Source: By Researcher from Spss output

From table.8 results of the second hypothesis shows that the value of (T) was (14.991), with a sig. level of (0.000), which is statistically significant at ($\alpha \leq 0.05$), which indicates that the mean is statistically significant.

Based on these results, the first null hypothesis is rejected, and the alternative hypothesis is accepted, which states that "The internal auditors in the Algerian public organizations participate at the evaluation of the internal control processes". And through this contribution the internal audit can create added value in these organizations.

4.2.3. Hypothesis 03:

"The internal auditor evaluates the risk management processes in order to add value to the organization". We form the null and alternative hypothesis as follow:

- **H0:** The internal auditor in Algerian public organizations does not contribute to evaluate the risk management processes;
- **H1:** The internal auditor in Algerian public organizations contributes to

evaluate the risk management processes.

Table 9. Results of t-test for the third hypothesis of the study

Dependent Variable	Mean	Std. Dev.	T Value	Sig
Hypothesis 03	2.3615	0.50509	3.921	0.000

Source: By Researcher from Spss output

From table 9 results show that the mean of the third variable is 2.36 which exceeds the cut point defined previously (2), and the value of (T) is 3.921 with a sig. level of (0.000), which is statistically significant at ($\alpha \leq 0.05$), that indicates that the mean is statistically significant.

Accordingly the first null hypothesis is rejected, and the alternative hypothesis is accepted, that states that “The internal auditors in Algerian public organizations contribute to evaluate the risk management processes”, which contributes to create added value to these organizations.

4.2.4. Hypothesis 04:

“The internal auditor contributes to the governance processes in order to add value to the organization”, the null and alternative hypothesis are formed as below:

- **H0:** The internal auditor does not contribute to the governance processes in the Algerian public organizations;
- **H1:** The internal auditor contributes to the governance processes in the Algerian public organizations.

Table 10. Results of t-test for the forth hypothesis of the study

Dependent Variable	Mean	Std. Dev.	T Value	Sig
Hypothesis 04	2.4792	0.33004	7.952	0.000

Source: By Researcher from Spss output

From table.10 results of the forth hypothesis shows that the value of (T) was (7.952), with a sig. level of (0.000), which is statistically significant at ($\alpha \leq 0.05$), which indicates that the mean is statistically significant (mean = 2.47 and exceeds the cut point 2).

Based on these results, the first null hypothesis is rejected, and the alternative hypothesis is accepted, which states, "The internal auditor contributes to the governance processes in the Algerian public organizations". And through this contribution the internal audit can create added value in these organizations.

5. CONCLUSION AND RECOMMENDATIONS:

The main objective of this study was to answer the following question: Do the internal auditors in Algerian public organizations create added value? The results of this study concluded that:

- The internal auditors of the sample are independent thanks to the existence of internal audit charter and to the attachment of the internal auditor to the highest level of management of the organization;
- The internal auditor can access the archives and the right people to perform his duties without any obstacles;
- The internal auditors in the Algerian public organizations are aware of the laws and regulations of the profession and provide services with the necessary knowledge and efficiency;
- The internal auditors in the organizations of our sample does highly contribute to the evaluation of the internal control system, through the verification of the internal procedures and if they are respected, and if they comply with laws in the organization;
- The internal auditors of our sample contribute with a medium degree in the assessment of risk, mainly the internal auditors contribute to assess risk management through the preparation of audit plan, identifying risks in the different activities and the evaluation of all type of risk that these activities face on a regular basis;
- The internal auditors contribute in the governance processes in public organizations of our sample with a fairly high degree, by submitting an annual report to senior management; facilitating the tasks of the external auditor to perform his job in good condition and also verifying the accuracy of financial statements.

Based on these conclusions, the analysis of data and testing the hypotheses and we conclude that the internal auditors in the Algerian public organizations are independent, objective and competent, which help them to create added value, also they add value through the evaluation of the internal control system and risk management processes, and the contribution to the governance processes.

Although the availability of the necessary characteristics in the internal

auditors in the Algerian public organizations to create value, the researcher recommends the following:

- To give the internal auditor the opportunity to do his job properly and not to restrict him, which was pointed out by many respondents who considered that the most important constraint to perform their jobs to the fullest is the lack of a direct channels of communication with the Board will help to obtain the necessary support that limits the pressure;
- Strengthening even more the independence with the establishment of an audit committee in order to enhance the status of the internal auditors in the organizations especially in public ones, where the capital is owned by the state;
- Encourage internal auditors to acquire professional certificates in the field of auditing, and to take these certificates into account in the career progression within the internal audit department;
- Train students in universities in the audit major, not only theoretically but also with practical internships;
- Select the internal auditors during the employment according to the personal characteristics of the auditor, such as curiosity, writing skills, analysis, honesty and objectivity;
- Conduct periodic training and internships for internal auditors to keep them informed with all international developments related to the profession;
- The need to establish a professional internal audit organization in Algeria to regulate the audit profession and to issue standards that are in line with international standards and appropriate to the specificity of the Algerian environment;
- Issue more relatable laws about internal audit to give more authorities to the internal auditor when exercising his duties.

6. BIBLIOGRAPHY LIST:

- Al-Shetwi, M., Ramadili, S. M., chowdury, T. H., & Sori, Z. M. (2011, November 9). Impact of Internal Audit Function (IAF) on Financial Reporting Quality (FRQ): Evidence from Saudi Arabia. *African journal of business management* , 5 (27), pp. 11189-11198.
- Barnia, M. (2015). La création de valeur ajoutée socio-économique par

- l'audit interne –Cas d'entreprises marocaines (Thèse de doctorat). France: Conservatoire national des arts et métiers.
- Chang, Y.-T., Chen, H., & Cheng, R. K. (2019, April). The impact of internal audit attributes on the effectiveness of internal control over operations and compliance. *Journal of Contemporary Accounting & Economics* , 15 (1), pp. 1-19.
- Chekroun, M. (2014). Le rôle de l'audit interne dans le pilotage et la performance du système de controle interne: cas dun 'échantillon d'entreprises algériennes (thèse de doctorat). Tlemcen: Faculté des Sciences Economiques, Commerciales et des Sciences de Gestion.
- D'Silva, K., & Ridley, J. (2007, January). Internal Auditing's International Contribution to Governance. *International Journal of Business Governance and Ethics* , 3 (2), pp. 113-126.
- Gabrini, C. J. (2013). The Effect of Internal Audit on Governance: Maintaining Legitimacy of Local Government (Doctoral thesis). USA: Florida State University Libraries.
- Gramling, A. A., & Myers, P. M. (2006, Avril). Internal Auditing's Role in ERM, Internal Auditor, 2006, pp.52- 62. *The Internal Auditor* , pp. 52-62.
- Hughes, J. S. (2011). Optimal internal audit timing. USA: American Accounting Association.
- IIA. (1999). *Definition of internal auditing*. Retrieved 5 14, 2019, from The Institute of Internal Auditors: <https://na.theiia.org/standards-guidance/mandatory-guidance/Pages/Definition-of-Internal-Auditing.aspx>
- IIA. (2009). *The role of internal audit in enterprise-wide risk management*. Retrieved 5 19, 2019, from Institute of Internal Auditors: <https://na.theiia.org/standards-guidance/Public%20Documents/PP%20The%20Role%20of%20Internal%20Auditing%20in%20Enterprise%20Risk%20Management.pdf>
- IIA, I. o. (2017). *The International Standards for the Professional Practice of Internal Auditing (Standards)*. USA: The Institute of Internal Auditors.

- KPMG. (2007). *The evolving role of the internal auditor, Value creation and preservation from an internal audit perspective*. Swiss: KPMG international corporation.
- Mihret, D. G., & Yismaw, A. W. (2007, March 29). Internal Audit Effectiveness: An Ethiopian Public Sector Case Study. *Managerial Auditing Journal* , 22 (5), pp. 470-484.
- Pramesh, B. (2013). The changing role of internal audit -moving away from traditional internal audit. South Africa: Deloitte.
- Prawitt, D. F., Smith, J. L., & Wood, D. A. (2009, Jul 17). Internal Audit Quality and Earnings Management. *The Accounting Review* , 84 (4), pp. 1255-1280.
- The Dallas research committee, I. (2011). *Internal Audit's Value Addition Approach - a Study in the Dallas-Fort worth Area*. Dallas: The IIA research foundation.
- Willis, B. (2016). *Seeking value through internal audit*. Canada: KPMG Study.