

The Impact of Internal Auditing on Evaluating Internal Control Systems and Risk Management

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Abstract:

This research seeks to underscore the importance of internal auditing in the assessment of internal control mechanisms and risk management, as well as its collaboration with external auditing processes. Furthermore, it examines recent developments in internal auditing practices, in alignment with the global standards established by the Institute of Internal Auditors. The findings of the study indicate that internal auditing has grown into a more autonomous and impartial function, offering assurance and advisory services that contribute added value to organizations. Moreover, it highlights the synergistic relationship between internal and external auditors, which enhances the overall organizational performance

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1. Introduction

Scientific advancement and economic growth have contributed to the growth of institutions and the increased complexity of their operations, leading to the distinction between ownership and management. This necessitated the need for periodic and annual reports to evaluate management's efficiency in utilizing resources. Consequently, the role of auditing and control has become crucial, with internal auditing playing a key role in assessing management effectiveness across various organizations.

Internal auditing is vital for monitoring and evaluating performance, which has grown in importance to safeguard institutional assets. Recent financial collapses, such as those of Enron and WorldCom, highlighted weaknesses in controls function. This legislation focus on the importance of internal auditing as a key element of corporate governance, aimed at enhancing organizational value through continuous evaluation of activities and improving overall administrative and financial performance.

Based on this context, the research question can be formulated as follows: **How does internal auditing contribute to assessing internal control systems and managing risks within economic institutions?**

2. The Characteristics and Various Types of Auditing:

Before the Industrial Revolution, businesses were typically individual-owned or partnerships with relatively limited capital. However, with the advent of the Industrial Revolution in the 19th century, capital-intensive corporations emerged, capable of mobilizing substantial capital by broadening ownership. This shift led to significant expansion in economic activities, increased company sizes, and geographic spread. Moreover, the separation of ownership from management heightened the importance of auditing in financial oversight, helping to identify and correct errors and fraud.

2.1 The Concept of Auditing and Its Difference from Review:

The term "auditing" is derived from the Latin word "Audire," which means "to hear." Linguistically, auditing refers to the process of reviewing the work performed by an individual or others to determine its accuracy. Historically, auditing involved listening to recorded financial information to verify its accuracy (HAMED TALEB, 2011, p. 12).

Auditing primarily involves the independent and objective examination of financial information or data of any company, regardless of its purpose, size, or legal form (HADI, 2006, p. 20). According to the American Accounting Association, auditing is defined as "A structured approach for objectively gathering and analyzing evidence related to claims concerning economic activities and events, in order to determine how well those claims align with established standards, and subsequently conveying the findings to relevant stakeholders. (HAMED TALEB, 2011, p. 13)"

Key points from this definition include:

- It encompasses all types of auditing, such as internal, external, and governmental auditing.
- It operates within a framework of generally accepted standards, executed through systematic and planned procedures chosen by the auditor.

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- The auditor must collect or obtain evidence to form an opinion, ensuring objectivity in selecting and evaluating this evidence to maintain a neutral stance.
- Audited information from the accounting system should align with generally accepted accounting principles, and the auditor's judgment should be based on specific standards and objectives, not personal impressions. The auditor communicates their unbiased providing an opinion to the appropriate users of information, typically through a report, which boosts their confidence in the financial statements.

- The Distinction Between Auditing and Review

A review is generally regarded as a supplementary component of financial and accounting activities, aimed at ensuring the accuracy and impartiality of the outcomes at the conclusion of a financial period. A reviewer is a specialized accountant whose role involves examining and reviewing economic activities and events according to a set of rules and standards governing the profession of review.

Because of the diverse application of these terms "review" and "auditing" in different regions, such as "review" in Egypt and "auditing" in Lebanon, Syria, Saudi Arabia, and other countries, it is essential to clarify each term's meaning. In 1987, the American Institute of Certified Public Accountants issued a statement distinguishing between review and auditing. It noted that a review consists of "a series of inquiries from personnel within the unit under review, along with an examination and analysis of the information contained in the financial statements, but within a framework less comprehensive than that of auditing." Thus, a review does not include studying and evaluating internal control systems.

In summary, auditing is broader and more in-depth than a review. While a reviewer examines recorded data for accuracy and completeness. Despite these distinctions, the overarching goals of both auditing and reviewing are aligned and encompass contemporary trends in the profession (BRAHMIA, 2014, p. 58).

2.2 The Importance and Objectives of Auditing:

Auditing is a means rather than an end, aimed at serving various stakeholders both within and outside the organization who rely on audited financial statements to make decisions and shape policies. Auditing is an effective regulatory tool. That in turn, enhances the confidence of users in these financial statements and their reliance on them for decision-making. The key stakeholders interested in auditing and its reports are illustrated in the figure below:

Table 1: Stakeholders Interested in the Auditing Process

Creditors and Suppliers	Investors	Banks and Lending Institutions	State	Institution's Owners	Institution's Management
To ensure the institution's ability to fulfill its	For judging profitability rates and assessing the return on	This is for making sound decisions regarding	The state relies on the approved financial	The auditor's report is considered an effective tool that	Considered one of the first parties to benefit from the auditor's

obligations.	equity.	granting loans, credit facilities, and ensuring the institution's ability to meet its obligations.	statements to monitor economic activity, economic planning, and impose taxes.	enables owners to ensure the safety of their investments and the institution's ability to manage successfully.	report, which helps in planning, monitoring, and following up on the institution's operations.
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Source: Prepared by the authors based on study literature.

The primary objectives of auditing include (AL-SHABANI & AL-JAMILI, 2012, p. 376):

- **Ensuring Precision and Dependability:** Confirming the correctness of the financial data recorded in the economic unit's books and evaluating their reliability, thereby increasing the owners' confidence in the management and the safety of their invested funds.
- **Providing an Independent Opinion:** Offering an unbiased professional opinion assessing whether the financial statements accurately represent the organization's financial performance and position, in line with widely accepted accounting standards, is essential, accepted accounting principles.
- **Detecting and Reducing Errors and Fraud:** Identifying errors, fraud, or forgery in the books and records and minimizing them through surprise visits to the economic unit, thereby supporting the internal control systems in place.

Recently, The scope of auditing has broadened to encompass the following objectives::

- **Monitoring and Execution:** Supervising the implementation of plans and monitoring their execution, as well as identifying reasons for the inability to meet the organization's objectives.
- **Performance Assessment:** Evaluating the effectiveness of the economic unit relative to its established goals.
- **Enhancing Efficiency:** Maximizing productivity and eliminating waste and inefficiency in all organizational activities.
- **Promoting Social Welfare:** Achieving the highest possible level of social well-being for the community in which the economic unit operates.

2.3 Types of Auditing:

The concept of auditing can be categorized into several types based on the perspective from which the auditing process is viewed. However, the performance standards governing all these types are generally consistent. Auditing can generally be categorized into the following types:

Table 2: Types of Auditing

By Audit Requirement:		By Audit Scope:		By Size of Tests:		By Audit Timing:		By Auditing Entity:	
Optional Audit	Mandatory Audit	Comprehensive Audit	Partial Audit	Detailed Audit	Sampling Audit	Final Audit	Continuous Audit	Internal Audit	External Audit

Source: Prepared by the authors based on study literature.

It is observed that these classifications often overlap. For example, auditing can be both comprehensive and continuous, and comprehensive or for a specific purpose, etc. Hence, the following classifications, which do not overlap and align with the intended purpose of the auditing process, can be added (AL-SHABANI & AL-JAMILI, 2012, p. 378):

- Efficiency or Management Auditing (Audit de Management / Audit Efficience)
- Effectiveness Auditing (Audit d'Efficacité): Evaluates whether the organization achieves its goals and objectives.
- Compliance or Regulatory Auditing (Audit de Régularité): Verifies that the organization is following applicable laws, regulations, and internal policies
- Social Audit (Social): Examines the organization's social impact and ethical practices.
- Strategic Audit (Audit de la Stratégique): Assesses how well the organization's strategies are aligned with its objectives and evaluates their overall effectiveness in achieving long-term goals.
- Environmental Audit (Audit Environnementale): Assesses the organization's impact on the environment and its sustainability initiatives

3. The Role of Internal Auditing and Its Functions::

The late 20th century and early 21st century, the field of internal auditing has undergone significant transformations, particularly with the emergence of corporate governance due to financial scandals in American businesses. This phenomenon led the Institute of Internal Auditors (IIA) to establish a task force to develop a new framework for internal auditing practices, which included defining internal auditing.

3.1 Development of the Concept of Internal Auditing:

Internal auditing was not known before 1941; the only recognized form was external statutory auditing. Its development coincided with advancements in accounting technology. However, the reliance on sample auditing techniques by external auditors, coupled with policies, highlighted the need for an independent internal function. This necessity became.

The IIA formally adopted professional standards for internal auditing in 1978, aiming to standardize the profession globally and achieve full recognition of internal auditing as a profession (BRAHMIA, 2014, p. 63). As a function in organizations to monitor accounting and financial processes and other operations to provide preventive and corrective services to management, but occasionally addressing operational issues upon management's request. (SHERIFI, 2015, p. 125)"

A revised definition by the IIA's In 1999, the task force defined internal auditing as "a function that operates independently and objectively, providing assurance and consulting services designed to enhance value and improve the organization's operations. It supports the achievement of objectives by systematically evaluating and enhancing the effectiveness of

processes related to risk management, control, and governance. (Institute of Internal Auditors, 2024)"

This evolution reflects a broader role for internal auditing, now encompassing risk assessment and consulting services in addition to its traditional functions of control.

- **Traditional Objectives of Internal Auditing:**

- To prevent, detect, and rectify errors and fraudulent activities.

- **Modern Objectives of Internal Auditing:**

- To add value and enhance the efficiency of organizational operations.
- To assess and improve the effectiveness of risk management practices.
- To evaluate and strengthen internal control systems.
- To analyze and enhance governance processes.

3.2 Types of Internal Auditing:

3.2.1 Financial Audit (*Audit de Financier*): Entails a thorough and methodical review of financial statements and accounting records, and related operations to ensure compliance with accepted accounting principles, management policies, and other requirements (SHERIFI, 2015, p. 126).

3.2.2 Compliance Auditing (*Audit de Conformité*): Also known as regularity auditing, this type verifies adherence to laws, and policies. This include:

- Ensuring adherence to relevant laws and regulations.
- Gaining an understanding of general legal principles.
- Monitoring adherence to internal policies and procedures.

Increased attention to compliance auditing has arisen due to recent financial collapses and administrative scandals worldwide, highlighting deficiencies in laws and regulations governing business practices (Gallois, 2006, p. 28).

3.2.3 Effectiveness Auditing (*Audit de l'Efficacité*): Evaluates whether procedures are appropriate, outdated, unnecessary, complex, or nonexistent. The auditor focuses on understanding phenomena and selecting the most effective and accurate references. The goal is to achieve efficiency by accomplishing objectives with minimal cost and optimal results. This requires a high level of expertise and skill.

3.2.4 Management Auditing (*Audit de Management*): Also referred to as efficiency auditing, this type assesses the effectiveness of management in utilizing available resources and provides advice on improving administrative systems. It involves reviewing organizational events, management plans, resource utilization, administrative burdens, and inter-departmental coordination. This type of auditing is typically conducted by senior auditors due to its complexity (Gallois, 2006, p. 26).

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The British Institute of Management defines management auditing as: "A systematic and comprehensive examination and evaluation of organizational structures, policies, and methods to ensure resources are managed economically and efficiently to achieve goals. (Management, 2023)"

The aspects of management auditing include:

- **Economic Efficiency:** Achieving work with minimal cost using available resources.
- **Efficiency:** Attaining objectives with minimal costs by maximizing output or reducing inputs.
- **Effectiveness:** Achieving set goals by evaluating various operational areas, including organizational structure and processes.

3.2.5 Strategic Auditing (Audit de Stratégie): This broader and more comprehensive type of audit, implementation, and control of strategies, programs, and budgets. Strategic auditing helps organizations exploit opportunities and mitigate threats by ensuring resources and capabilities are aligned with strategic goals (YAAKOUB OULED CHIKH, 2015, p. 43).

Definitions of strategic auditing include: "A system for assessing the implementation of organizational strategies and their success in achieving objectives, comparing actual performance with planned goals and adjusting strategies based on results." It requires an effective information system and communication network (Gallois, 2006, p. 29).

The purpose of strategic auditing is to (AL-SHABANI & AL-JAMILI, 2012, p. 380):

- Provide reports to relevant stakeholders regarding internal control and risk management.
- Evaluate the internal control system to confirm its effectiveness.
- Develop a plan for implementing audit recommendations.
- Allocate necessary resources for auditing.
- Foster effective cooperation between internal auditors and other auditing bodies.

Table 3: Ex Auditing the Maintenance Function in a Factory

The internal auditor evaluates the maintenance function of the factory by analyzing the following aspects:

1. Compliance/Regularity Auditing:

- **Objective:** Verify adherence to the rules, regulations, and procedures established by the organization for maintenance tasks.
- **Key Questions:**
 - Are the organizational and operational rules for maintenance being followed?
 - Are safety regulations and standards being adhered to?
- **Scope:** This audit includes reviewing the adherence to regulatory and procedural guidelines related to maintenance operations.

2. Efficiency Auditing:

- **Objective:** Evaluate whether the maintenance function is managed with optimal efficiency and effectiveness.
- **Key Questions:**
 - **Efficiency:** Are the goals set by the organization being achieved effectively?

- **Effectiveness:** To what extent are the set objectives being met?
- **Scope:** The auditor reviews the indicators and information systems used, and determines the measures needed to ensure that rules, regulations, and procedures are appropriately designed to eliminate inefficiencies and shortcomings in maintenance.
- 3. **Management Auditing:**
 - **Objective:** Assess whether the maintenance responsibilities are clearly defined and managed.
 - **Key Questions:**
 - Is the purpose of maintenance understood as preventing failures or operational incidents?
 - Is maintenance aimed at reducing costs to a minimum?
 - Is the maintenance plan designed to extend the longevity of facilities as much as possible?
 - **Scope:** After explaining the maintenance policy, the internal auditor ensures it aligns with the organization's strategy, particularly in manufacturing contexts.
- 4. **Strategic Auditing:**
 - **Objective:** Verify that the maintenance policy is aligned with and contributes to the achievement of the organization's overall strategic objectives.
 - **Key Questions:**
 - Does the maintenance policy align with the policies of other departments within the factory?
 - **Scope:** The auditor ensures that the maintenance strategy is well-integrated with and supports the organization's broader strategic goals, ensuring coherence across different operational areas.

Source: according to theoretical framework

3.3 Importance of Internal Auditing: The significance of internal auditing has greatly expanded in modern organizations due to its critical role in enhancing governance, improving risk management, ensuring regulatory compliance, and adding value to operational efficiency and strategic decision-making to several factors (BRAHMIA, 2014, p. 65):

- **Size and Complexity of Organizations:** The increasing size and complexity of organizations, coupled with the presence of diverse operations, multiple regulatory environments, and intricate systems.
- **Provision of Various Services:** Internal auditing provides a range of services that contribute to the development, including:
 - **Preventive Services:** verifying the proper implementation of administrative policies.
 - **Evaluative Services:** Measuring and evaluate the control systems and procedures, as well as adherence to established policies and procedures.
 - **Constructive Services:** Offering suggestions for amending to existing systems and verify the accuracy of the given information.
 - **Corrective Services:** Implementing methods and procedures to correct errors discovered during audits.

3.4 International Standards for Professional Practice of Internal Auditing: Modeled after the American Institute of Certified Public Accountants (AICPA) in establishing standards for

external auditing, the Institute of Internal Auditors (IIA) has created a set of **standards*** for internal auditing. These standards, initially issued in 1978, were updated in 2003 to address emerging issues such as governance and risk management. The standards are divided into two main groups (Institute Francais d'Audit et controle interne, 2007):

- **Attribute Standards:** Addressing the qualities and characteristics of both the organizations and individuals involved in internal auditing activities, including independence, objectivity, competency, and quality assurance.
- **Performance Standards:** Detailing the activities of internal auditing and establishing the criteria for evaluating the performance of these activities. These standards are applicable to both assurance and consulting services.

3.5 Code of Ethics for Internal Auditing: Professional ethics are defined as a set of rules and principles recognized by professionals in a field, requiring adherence to specific behaviors to maintain the profession's integrity (JAWADOU, 2010, p. 04). Ethical behavior involves ensuring compliance with high moral standards, professional conduct, and balanced interests of all parties included. (BRAHMIA, 2014, p. 68):

- **Independence with Objectivity**
- **Professional Competence**
- **Scope of Working**
- **Performance of Internal Audit**
- **Management of the Internal Audit**

Table 04: Code of Ethical Conduct for Internal Auditing

Competency	Confidentiality	Integrity	Objectivity
Auditors must ensure that they possess the necessary knowledge, skills, and experience to perform their duties effectively. They should maintain their professional competence through ongoing education and training.	Auditors are required to protect the confidentiality of the information obtained during their work. They must refrain from sharing this information with unauthorized parties, except when required by law or professional standards.	Auditors must maintain transparency and integrity in all professional and business interactions. They should be free from any influence that might impair their objectivity.	Auditors must uphold an objective stance and steer clear of any conflicts of interest or biases that could substitute for professional judgment.

Source: (BRAHMIA, 2014, p. 84), with modifications.

* The term « **standards** » refers to what something should be, serving as a benchmark for evaluating the quality of conditions and achievements.

3.6 Independence and Objectivity of the Internal Auditor: Audit and control services are considered valuable only when grounded in any supervisory or evaluative process. It means avoiding conflicts of interest, which requires auditors to be independent of the activity, and detached from personal interests in the economic unit. This allows practitioners to make decisions without pressure or bias from those affected by their decisions.

Objectivity, on the other hand, concerns the quality of judgments, decisions, and evaluations made without experiencing conflicts of interest. In other words, objectivity results from independence. The absence of independence compromises an internal auditor's ability to add value to the organization, rendering the audit process ineffective. There are several aspects of independence related to the internal auditor:

- **Professional Independence:** Achieved by establishing an independent audit committee within the organization that delegates authority to the internal auditor for performing their duties, including decisions regarding their appointment, transfer, dismissal, salary, and reporting.
- **Independence in Performing the Audit:** Opinions during planning, execution, and reporting phases.
- **Technical Independence:** Implies that the internal auditor must possess the highest level of skill and competence in performing their work.
- **Financial Independence:** Means that executive management should not interfere in the selection or compensation of the internal auditor.

3.7 Relationship Between Internal and External Audit: The external auditor's role is to deliver an independent assessment of the accuracy and compliance of financial statements, determining whether they accurately reflect the organization's financial position and operational performance. Acting on behalf of the shareholders, the external auditor oversees the management's activities, particularly focusing on the board of directors who are accountable for the financial statements, external auditor's strength derives from their complete independence from any administrative entity, which enhances stakeholders' trust in their report.

The collapse of Enron, a major American energy company in 2001, revealed that Arthur Andersen, the firm responsible for the external audit, was also providing consulting services. This situation demonstrated a lack of independence and neutrality, leading to collusion with the company's management. The combination of auditing and consulting services contributed to Arthur Andersen's inability to provide an honest and fair opinion on Enron's financial statements, as it was involved in financial and administrative corruption. The company's profits were significantly inflated by about \$1 billion in the year preceding its collapse (SHERIFI, 2015, p. 128).

In response, the Sarbanes-Oxley Act of 2002 prohibited Integrating audit and consulting services within the same organization highlights the significance of the audit committee's function in supervising internal auditing and collaborating with the external auditors. The

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Enron scandal it serves as a vital reminder of the essential connection between internal and external auditing and the audit committee. Internal auditors, similar to external auditors, are required to report directly to the audit committee instead of management.

Relationship between internal and external auditing within corporate governance is one of mutual support. International Standard on Auditing (ISA) 610, titled "Using the Work of Internal Auditors," enables external auditors to leverage the work performed by internal auditors if assists in forming their opinion on the accuracy and reliability of financial information. Internal auditors may also perform some audit tasks based focus on the relationship of cooperation and mutual benefit aimed at serving the company's best interests.

4. Contemporary Trends in Internal Auditing and Its Role in Assessing Internal Control Systems and Risk Management:

Internal auditing works closely with the board of directors, the audit committee, and the risk committee, when applicable, to address risks and ensure the overall effectiveness of internal controls. The internal audit function often possesses unique insights into risk management and control within the organization, enabling it to provide guidance and independent, objective assurance to the board regarding the sufficiency and effectiveness of essential controls, risk management efforts, and other responsibilities. Consequently, it is unreasonable to find a large company without an internal audit profession.

4.1 The Role of Internal Auditing in Assessing Internal Control Systems:

Internal auditing is a device used to verify adherence to internal control procedures and to improve them within the organization. Internal control is defined as "a set of procedures and methods used within an organization to safeguard cash and other assets while ensuring the accuracy of accounting data recorded in the books". They also report their findings and recommendations to senior management (MOHAMED EL JABRI, 2014, p. 29).

The responsibility for establishing an internal control system lies with the organization's management, which relies on internal auditors to monitor the performance of this system. According to Standard 2120, internal control system relies on four basic responsibilities: establishing control procedures, applying control procedures, testing compliance, and finally, evaluating them.

Internal auditors are responsible only for testing compliance with and evaluating control procedures. The responsibility for setting these procedures falls regarding tactical and executive management, while it is the responsibility of executive management to put these strategies into action, The internal audit department tests compliance with these procedures, while Executive and tactical management assess the internal control system for potential enhancements. Additionally, the internal audit department evaluates the sufficiency and effectiveness of the internal control system in more organized and comprehensive manner compared to what management does. A robust internal audit system that assesses internal control (BRAHMIA, 2014, p. 84).

Thus, a good internal control system requires an administrative unit within the economic entity, referred to as the internal audit department, to verify the effective implementation of the

internal control system, this include verifying adherence to all procedures, regulations, for any manipulation and violations.

4.2 The Function of Internal Auditing in Risk Management:

Modern developments in internal auditing have underscored the critical role of a risk management system within organizations. Per Standard 2120 from the International Standards for the Professional Practice of Internal Auditing, established by the Institute of Internal Auditors, internal auditing must assess the effectiveness of the risk management system and play a role in its enhancement. Internal auditing assess risks related to governance, operations, and information systems. In advisory services, internal auditors should evaluate risks associated with the organization's objectives and be cautious of significant potential risks.

The role of internal auditing in risk management includes supporting the organization in recognizing and evaluating risks, as well as contributing to the enhancement and monitoring of risk management processes as follows (SHERIFI, 2015, p. 131):

- Aiding the board of directors and senior management in developing the overall risk management strategy by providing advisory services and suggestions;
- Ensuring alignment with the systems and procedures specified in the risk management policy;
- Assessing the sufficiency and effectiveness of the risk identification and measurement systems employed in various activities and operations;
- Evaluating the adequacy and effectiveness of internal control systems and procedures established to manage identified risks and measure them accurately;
- Reviewing reports generated by the risk manager regarding the execution of the risk management framework and the promptness of reporting;
- Providing the board with insights on the effectiveness and efficiency of the risk management process.

Consequently, the relationship between internal auditing and risk management is strong, with internal auditing serving as a tool used by organizations to strengthen and improve their risk management approaches. Major risks that internal auditors assess and manage include inaccuracies in financial and operational information, failure to follow policies, plans, procedures, and laws, loss of assets, inefficient use of resources, and failure to achieve set objectives.

4.3 The Role of Internal Auditing in Evaluating Organizational Performance Quality:

In recent years, the importance of internal auditing has increased due to the growing need for improved managerial performance monitoring. Internal auditing plays a crucial role in assessing organizational performance quality. The role of internal auditing in performance quality assessment includes (SHERIFI, 2015, p. 132):

- Examining the accuracy and completeness of financial and operational data, as well as the methods used to determine, measure this information;

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- Evaluating the systems established to ensure adherence to policies, plans, procedures, laws, and directives that could significantly affect operations and reporting, and determining whether the organization has adhered to them. Internal auditors are responsible for determining if these systems are adequate and effective;
- Examining safeguards for assets against various types of loss, such as theft, fire, and illegal activities;
- Assessing the efficiency of resource use within the organization, where management is responsible for setting operational standards to measure the economic efficiency of resource use in various activities. These standards should be formally documented for reference;
- Examining operational processes and programs to determine if results align with set objectives and if processes and programs are executed as planned. Internal auditors should also determine if operational objectives align with overall organizational goals and the extent of compliance;
- Identifying whether upper management has set standards to determine if general and specific objectives have been achieved. If considered adequate, these standards should be used in evaluation; if not, internal auditors can assist management in formulating adequate and appropriate standards;
- Determining whether performance barriers have been identified, assessed, and controlled appropriately;
- Internal auditors can assist managers in setting general and specific goals and systems by evaluating whether basic assumptions are appropriate, whether accurate and relevant information has been used, and whether suitable control procedures have been integrated into operational processes or programs.

5. CONCLUSION

Internal auditing emerged alongside the growth and development of economic activities, driven by the increasing need to evaluate the efficiency of employees in executing their responsibilities and ensuring compliance with organizational objectives policies set by senior management and operational directives. This necessity has led to the establishment of the internal audit function, which examines records and evaluates activities to provide an independent technical opinion on the accuracy and fairness of financial statements. Internal auditing is a comprehensive and periodic independent function within the organization and can be present in the form of financial and accounting audits, along with operational management reviews, are focused on identifying and correcting errors as well as fraud in a timely manner.

Reflecting the development of internal auditing standards, the traditional role of internal auditors has grown beyond merely reviewing and assessing internal controls. It now includes a focus on evaluating and improving the effectiveness and efficiency of risk management processes. Internal audit now plays a significant advisory role in developing and adjusting key performance indicators within the organization. In conclusion, it is crucial to enhance awareness among organizations, there is a growing recognition of the importance of internal

auditing in assessing internal control systems, managing risks with improving performance quality.

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