

The impact of social auditing on improving the internal control system: SEROR case study

أثر التدقيق الاجتماعي على تحسين نظام الرقابة الداخلية: دراسة حالة شركة SEROR

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Abstract

In light of economic and technological transformations, Algerian organisations need to strengthen their internal control system by adopting social auditing. This study aims to analyse the impact of social auditing on improving the internal control system within SEROR in Tlemcen through a qualitative approach based on observation, document analysis, and interviews with key informants. The results showed that social auditing contributes to improving the five components of the internal control system, namely: Control Environment, Human Resources Risk Assessment, Control Activities, Information and Communication, and Follow-up. These findings emphasise the essential role that social auditing plays in strengthening the internal control system.

Keywords: Social Auditing, Internal Control System, SEROR Company.

JEL Classification: M42, M48, L20

ملخص

في ظل التحولات الاقتصادية والتكنولوجية، يتعين على المؤسسات الجزائرية تعزيز نظام الرقابة الداخلية من خلال تبني التدقيق الاجتماعي. تهدف هذه الدراسة إلى تحليل أثر التدقيق الاجتماعي على تحسين نظام الرقابة الداخلية داخل شركة SEROR بتلمسان، من خلال مقارنة نوعية تعتمد على الملاحظة، وتحليل الوثائق، والمقابلات مع المسؤولين الرئيسيين. وقد أظهرت النتائج أن التدقيق الاجتماعي يُساهم في تحسين مكونات نظام الرقابة الداخلية الخمسة، وهي: بيئة الرقابة، تقييم مخاطر الموارد البشرية، أنشطة الرقابة، المعلومات والاتصال، والمتابعة. وتؤكد هذه النتائج الدور الأساسي الذي يلعبه التدقيق الاجتماعي في تعزيز نظام الرقابة الداخلية.

كلمات مفتاحية: تدقيق اجتماعي، نظام الرقابة الداخلية، شركة SEROR.

تصنيف JEL: M42، M48، L20

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Introduction

In recent years, internal control has become a strategic activity that is essential for companies to achieve sustainable competitive advantage. This control system ensures the integrity of operations, the reliability of financial reporting and compliance with applicable laws and regulations. However, its effectiveness largely depends on the company's ability to manage risks and proactively address internal issues. In this context, social auditing plays a crucial role by providing a valuable tool for assessing and improving the internal control system.

Social audit enables companies to assess their contribution to local communities, economic development and social well-being. By investing in community development projects, supporting local suppliers and promoting social initiatives, companies can create positive social impacts, address social challenges and contribute to sustainable development goals. This strengthens their social licence to operate and improves their long-term viability.

Overall, "social audits provide companies with a valuable opportunity to assess, improve and communicate their social responsibility efforts, leading to increased competitiveness, sustainability and stakeholder value creation" (Ivan, 2024). By integrating social responsibility into their business strategies and operations, companies can not only achieve financial success, but also contribute to positive social and environmental outcomes.

The practice of social auditing can have a significant impact on a company's social, economic and environmental performance. It plays a critical role in the success of companies operating in a globalised and highly competitive market where the effectiveness of internal management can be a major strategic advantage. Therefore, our research aims to explore the essential relationship between social audit and the improvement of the internal control system by analysing its impact on the overall performance of the company.

To achieve this, we formulated the following research question:

What is the role of social audit in optimising the internal control system within SEROR?

To answer this question, we propose the following hypothesis: Social audit serves as a key driver in optimising the internal control system of SEROR.

- The importance of the study

This topic is of particular importance because it deals with the contribution of social audit to the improvement of the Internal Control System (ICS), examining its different components according to the COSO framework. The company SEROR serves as a concrete case to analyse the relationship between these two variables in the Algerian context.

- Objectives

This research aims to achieve the following objectives:

- To understand the key concepts related to social audit and internal control system (ICS).
- To evaluate the effectiveness of the internal control system at SEROR.
- To analyse the impact of social audit on the different components of ICS based on the COSO framework.

- Research methodology

This study adopts a qualitative approach based on direct observation, document analysis and semi-structured interviews with key stakeholders within SEROR.

- Study variables

In this study, the variables are structured as follows:

Independent variable: Social audit

Dependent variable: Internal control system (measured by its components: control environment, risk assessment, control activities, information and communication, and monitoring).

- Previous studies

- Djaroud & Graa (2021) - "Social audit as a lever for decision-making power in the company: The case of companies in the Oran region". The authors examine the contribution of social audit to decision-making in Algerian companies.

- Bellaha Hadjer (2021) - "The contribution of internal control and audit to business performance: Theoretical foundations and empirical validation in the Algerian context". This

dissertation empirically demonstrates how audit, improves performance by strengthening internal control mechanisms.

- Outseki (2020) - "The impact of internal control components on business performance: An approach based on the COSO framework". This study examines how each component of the ICS, contributes significantly to organisational performance.

Added value of the research: The added value of this study lies in the fact that there has been no previous research that has looked at both social audit and the internal control system together, which makes this work distinctive and innovative.

1. The concept of social auditing

1.1 The origin of social auditing

The term audit has traditionally been reserved for the accounting and financial field, where it refers to the control and verification of numerical data provided by companies. Over time, this concept has gradually been adapted to the social field (Guerrero). Social audit has emerged as a relatively new but constantly evolving discipline. It is closely linked to the broader expansion of audit missions, which began to develop significantly in the 1950s. The discipline has its roots in the human relations school, which emerged in the 1930s as a reaction to the excesses of Taylorism-Fordism. At that time there was a growing focus on the psycho-sociological aspects of work, challenging the purely economic approach to worker motivation.

In this context, social audit includes considerations of 'sustainable health', assessing short, medium and long-term risks to workers. However, it is often conducted on the basis of external standards, which can lead to some resistance from stakeholders. Despite these challenges, social audit serves as a counterbalance to the dominant techno-economic approach and provides a framework for promoting good social practice.

In France, social audit gained momentum in the 1970s, when many companies sought to reform their social practices. It was during this period that social audit established itself as a valuable tool for planning and evaluating the social dimension of organisational activities (KHELASSI, 2014). Thus, social audit emerged as a response to the growing need to understand

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and effectively manage the social and human aspects of companies, reflecting a shift towards a more holistic and strategic approach to human resource management and social relations.

Social audit is the application of auditing principles to the management and functioning of people within organisations and the dynamics of their internal and external relationships. It is worth noting that social audit in Algeria is still considered an emerging field compared to other countries where this practice is more developed. This means that social audit in Algeria is still in its infancy and has not yet been widely adopted or integrated into standard business practices.

1.2 Definition of social audit

Social audit remains controversial as there is still no universally accepted definition, despite a consensus on its different aspects such as compliance monitoring, analysis, observation and diagnosis.

Table 01: Different Definitions of Social Auditing by International Standardisation Organisations

Organization	Definition
IAS (International Institute of Social Audit)	The IAS defines social audit as an analytical process applied to the management, activities, and human relationships within organisations, as well as their interactions with internal and external stakeholders. It aims to specifically assess the human and social functioning of audited situations.
ISO (International Organization for Standardization)	According to ISO, social auditing is a methodical, independent, and documented process designed to obtain audit evidence and evaluate it objectively to determine the extent to which audit criteria are met. Its primary function is to review practices against established standards.
European Commission	The European Commission recognises social auditing as a systematic assessment of a company's social impacts against certain standards and

	expectations. This official recognition is recorded in the 2001 Green Paper.
Encyclopedia of Management and Business Administration	According to the Encyclopedia of Management and Business Administration, social auditing comes from the application of operational auditing to human resource management. It involves an evaluation by an independent and competent auditor of the quality of social information and management tools within an organisation.

Source: (Mohammed, 2021)

Consequently, social audit possesses a strategic dimension due to its capacity to issue warnings, anticipate and forestall risks, particularly in the context of social cost control. The role of the social auditor is to ensure the quality of information and compliance with relevant laws, procedures, and management directives. Furthermore, they propose a series of recommendations designed to enhance the performance of the audited function, or alternatively, the company in its entirety.

1.3 The objectives of Social Audit are delineated in the following range

In the contemporary business environment, characterised by the growing significance of stakeholders, social audit emerges as a pivotal instrument in the armoury of corporate management. The following section delineates the primary objectives of social audit (KHELASSI, 2014).

The present study will evaluate the current policies and practices that have been implemented in the field of Human Resource Management (HRM). The objective of social audit is to evaluate the presence and efficacy of HRM policies within an organisational context. This encompasses the review of recruitment, training, compensation, and other human resources practices.

The following analysis is to be submitted for the purpose of evaluating the performance of Human Resources Management. The evaluation encompasses the extent to which HRM practices

contribute to organisational objectives and stakeholder satisfaction, including employee well-being.

The standardisation of audit processes is of paramount importance. The objective of social audit is to standardise the methods and tools utilised by auditors, thereby ensuring consistency and effectiveness in audits, irrespective of the type or size of the audited organisation.

The identification of human resource needs is an essential step in the strategic management of any organisation. It facilitates the determination of both current and future human resource needs, thereby ensuring the smooth functioning of the organisation.

The formulation of improvement recommendations is an essential component of the process. The results of the audit are used to formulate recommendations for the enhancement of HRM practices and the strengthening of organisational performance.

The present study will proceed by evaluating the overall Social Management System. The concept of social audit encompasses a broader scope than that of HRM practices, extending to encompass organisational policies, procedures, social regulations, and both internal and external relationships.

The necessity of ensuring effectiveness and reliability is paramount. The credibility of observed systems is guaranteed by the provision of assurance of efficiency and reliability, thereby resulting in a strengthening stakeholder trust in the organization.

Thus, social audit aids in reconciling organizational and human elements, promoting equilibrium, and addressing dysfunctions, disagreements, and disturbances within the company's framework.

1.4 Types of social audits

There are several classifications, mainly based on the scope of applicability. Compliance, effectiveness and strategic audits. At the operational level, a set of indicators is monitored on a monthly or periodic basis. At the tactical level, the audit follows pre-established annual plans. At the strategic level, it focuses on setting objectives and implementing the means to achieve them. At this point, the company needs to formalise its strategic plans. In addition, social auditing can take three forms:

1.4.1 Compliance or regularity audit

The primary objective of a compliance audit, also known as a regularity audit, is to verify that legal and regulatory requirements are being met within an organisation. This audit is often carried out within a legal framework, particularly labour law, or in relation to the organisation's internal standards and rules. The objective is to ensure that the system or process in place complies with all applicable legal, regulatory and internal requirements.

This audit is essential to ensure that the organisation is operating within the law and complying with current regulations, thereby helping to prevent legal and compliance risks that could lead to sanctions or other negative consequences.

1.4.2 Effectiveness or Performance Audit

This kind of audit entails examining the circumstances surrounding the use of one or more HRM procedures and making necessary improvements to increase their efficacy. It seeks to accomplish two related goals: (Mohammed, 2021)

Are social results in line with the goals that have been established? In human resources management, tracking differences between projections and actual accomplishments is one of the most frequent responsibilities. The auditor begins by examining discrepancies between goals and reality in an effort to determine the causes of these discrepancies.

-Has the lowest cost resulted in societal outcomes? Establishing performance monitoring indicators inside an organization is another aspect of the effectiveness audit. Quantifying the expenses and advantages associated with human resources management operations is necessary for this audit component.

Examples of costs that are often analysed include payroll costs, personnel costs and occupational injury costs, while benefits are expressed in terms of productivity, efficiency and skills acquired.

1.4.3 Strategic audit

A strategic-level audit assesses the ability of the HR function, its policies and its results to sustain the organisation's resources and support its business objectives. In terms of safeguarding

resources, the organisation relies on internal control to ensure that resources are not wasted. Therefore, the auditor's primary responsibility is to assess the reliability of internal control, which is the subject of our audit.

In relation to the company's business objectives, social policies (such as remuneration or training policies) are not simply assessed for compliance with the law or best practice.

Instead, the assessor examines whether these policies support operational teams - for example, whether they encourage innovation or support employee growth.

1.5 Social information

Social information is more complex than financial information. It can take many forms and, more importantly, raises concerns about reliability. How can we be sure that an employee will answer a questionnaire honestly? What reactions will be observed during an interview? How truthful are the answers to certain questions? The types of information that can be collected include:

- **Observable outcomes**, whether internal or external to the organisation. These are raw data of a material nature (working conditions), of a behavioural nature (number of days of absence, number of accidents at work) or of a structural nature (number of temporary contracts, salaries paid).

- **Indicators** calculated in social dashboards. These may include: Structural indicators (e.g. percentage of employees over 55 years of age); Skills indicators (e.g. percentage of employees who have received training); Behavioural indicators (e.g. absenteeism rate); Social policy indicators (e.g. pay scale hierarchy ratio).

1.6 Social indicators

There is a wide range of social indicators related to quality studies (such as remuneration, recruitment and training) or specific issues (such as occupational accidents and absenteeism), as shown in the table below:

Table 02: The different categories of social indicators:

Categories	Objectives	Examples
Economic and financial indicators	Measure the economic contribution of human resources	- Productivity ratios - HR expenditure ratios
Structural indicators	Characterise the structure of the organisation's workforce	Age pyramid ratios
Recruitment indicators	Measure the performance of recruitment processes	- Time to hire - Average cost of recruitment
Training and skills management indicators	Measure the performance of training and skills management processes	- Amount spent on training - Ratio of employees trained and those requesting training
Compensation Indicators	Control compensation policies and payroll	- Average compensation ratio - Compensation growth rate - Paid overtime rate
Climate Indicators	Measure the level of social climate in the organisation	- Absenteeism rate - Resignation rate - Internal conflicts
Indicators for Measuring Occupational Risk	Measure occupational risks and health in the workplace	- Workplace accident rate - Severity rate of workplace accidents

Source: (Duc, 2013).

This table facilitates comprehension of the range of tasks that the auditor may be required to carry out, either in whole or in part, during a social audit, depending on the objective pursued: a diagnosis focused on a specific aspect or a comprehensive diagnosis of the company's social dimension.

2. The concept of the internal control system

2.1 Definition and importance of the internal control system: European and African perspectives

The performance of a company can be enhanced through various managerial processes, including better control of its activities. This suggests the necessity for the implementation of an effective control system. The concept of internal control is broad in scope. The term refers to the comprehensive control system, encompassing both financial and non-financial aspects, that is established by management to ensure the efficient and effective management of the company.

The American Institute of Certified Public Accountants (AICPA) defines internal control as including the organisational plan, as well as all coordinated methods and measures adopted within a company to protect its assets, verify the accuracy and reliability of its accounting data, promote operational efficiency, and encourage compliance with established management policies (Mehta, 2021). Accordingly, internal control may be delineated as the aggregate of organisational strategies and integrated systems, instituted by a company's management to accomplish its managerial objectives whilst ensuring, as far as is feasible, an orderly and efficient management process.

It is imperative that internal controls are implemented within an institution in order to enhance transparency. This is achieved by ensuring the accuracy of financial reports and promoting accountability. Transparent management has been demonstrated to foster stakeholder trust and act as a preventative mechanism against fraud and mismanagement (Wisdom Mawuli Kalevor, 2024). The concept of internal control has been the subject of multiple definitions, but the most commonly used one is that of the COSO framework:

In 1995, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) published its report.

Pierre define internal control as consisting of the elements of an organisation, including resources, systems, processes, culture, structure and tasks. These elements, when considered collectively, facilitate the achievement of the organisation's objectives, which fall into the following three categories: (Pierre, 2007)

- Operational effectiveness and efficiency
- Reliability of internal and external information
- Compliance with laws, regulations, and internal policies.

This definition underlines the significance of the organisational, cultural and structural dimensions of internal control, accentuating its function in achieving operational objectives and ensuring compliance with standards. Regulatory authorities, such as the AMF, emphasise the necessity of a flexible and specific approach for each company, thereby underlining the need for continuous evolution and adaptation to the realities of each business context.

The issue of internal control has been a major concern in the United States. It has been incorporated into public policy with a view to regulating publicly traded companies. This phenomenon can be attributed to the substantial number of publicly listed companies in the United States.

As Arusha (2020) argue, publicly traded companies have been demonstrated to contribute to economic growth (Arusha, 2020). In light of these concerns, the government promulgated the Foreign Corrupt Practices Act (FCPA) of 1977 and the Sarbanes-Oxley Act of 2002, which mandate enhancements in internal control systems within public companies in the United States. A primary objective of these policies is to enhance the efficiency of financial management in publicly traded companies, thereby safeguarding the interests of stakeholders.

Recent economic developments and current technological advancements in Europe have had a significant impact on the discourse surrounding the internal control system. The European Union has formally acknowledged the significance of establishing a robust internal control system within the public sector and for publicly traded companies. The underlying logic of these policies is to ensure the efficacy of financial management not only in the public sector but also in publicly listed companies, with a view to serving the public interest.

As evidenced by the efficacy of public internal control systems in Europe, effective public internal control is paramount to the effective financial and non-financial management of national and European Union funds **funds** (Mandzila, 2015).

From an African perspective, the internal control system is an essential element in ensuring the security and efficiency of financial management within governments. Consequently, numerous African countries are implementing enhanced internal control systems as a strategy to combat widespread corruption and enhance financial management within public administrations.

In 1986, Algeria confronted a decline in hydrocarbon prices (oil and natural gas) in the international market, precipitated by major social crises, which posed a significant challenge to the country's economic system. In order to address this issue, a series of socioeconomic and political reforms were introduced, including the enactment of Law 88/01 on 12 January 1988, which granted autonomy to state-owned economic enterprises.

Furthermore, the legislation stipulated the establishment of internal audit structures within these enterprises, as outlined in Article 40 (Chapter 5, Title 2): « It is incumbent upon state-owned economic enterprises to organise and strengthen internal corporate audit structures, whilst concomitantly ensuring continuous improvement in their operational and management processes » (Journal officiel de la république algérienne, 1988).

This provision is instrumental in attributing the substantial growth that the field of internal auditing has undergone. Prior to 1988, this function was largely under-the-radar, however, this provision has led to its increased visibility and recognition. Indeed, the primary function of public enterprises was to serve the social sphere rather than the economic, thus obviating the necessity for a structured internal control system. It is imperative to emphasise that Article 40 of Law 88/01 underscores the necessity to fortify **the internal control system**, thereby contributing to the enhancement of management and governance practices in state-owned enterprises.

2.2 Components of the Internal Control System According to the COSO Framework

The Committee of Sponsoring Organizations of the Treadway Commission (COSO 1992) employs a pyramidal model to symbolize internal control, comprising five interdependent elements from a philosophical perspective.

2.2.1 The Control Environment

The establishment of a control environment constitutes the initial phase in the implementation of an internal control system (ICS). It is an indispensable element in the

establishment and preservation of an effective ICS. From a pragmatic perspective, during the 1970s and 1980s, the Treadway Commission elucidated that organisational failures in American companies were predominantly attributable to the inefficacy of the control environment (Karen, 2010). The factors that impact the control environment can be categorised as follows: The personal and professional integrity and ethical values of management and employees, including their attitude towards internal control; the commitment of personnel to an appropriate level of competence; the Board of Directors and the Audit Committee; the management style, specifically the philosophy and operational methods of executives; the organisational structure; human resources policies and practices, as well as the delegation of responsibilities.

It should be noted when a social auditor evaluates human resources policies and practices, they are indirectly assessing the quality of the internal control environment. This creates a vicious cycle where aspects related to ICS influence the results of human resources audits.

2.2.2 Risk Assessment

Risk assessment is the process of identifying and analysing risks, as well as determining appropriate responses to mitigate them. It also considers the cost-benefit ratio, the constant evolution of the macro and microeconomic environment (change management), and the regulatory framework and operating conditions.

The following key elements form the basis of risk assessment (INTOSAI, 2004): Identify risks. Analyse risks. Assess the organisation's risk tolerance level. Define responses to identified and assessed risks.

Social auditing helps identify "high-risk" practices within the company, whether from a social or legal perspective. It also enhances the efficiency of human resource management and contributes to measuring and improving the social climate.

2.2.3 Control Activities

Control activities are crucial to both risk management and achieving organisational objectives. It is vital that these activities form a key part of a company's daily operations (Roger. C, 1998). They are structured around six key areas: Objectives; Resources (Means); Information Systems; Organization; Procedures; Supervision (Jacques R. , 2007)

2.2.3.1 Objectives: A company's survival depends entirely on its ability to meet its objectives effectively. A company's goals must be clearly defined, properly communicated and evaluated by the auditor.

2.2.3.2 The resources (means): Once the strategic horizon has been established (objectives), it is necessary to define the means to achieve them. It is clear that these means include the following: It is clear that human resources, financial resources and technical resources are all needed.

- **Human Resources:** A strong internal control system requires competent personnel. It is imperative that appropriate mechanisms are implemented to enhance the quality of human resources. It is clear that these mechanisms cover three main areas: recruitment, continuous professional training and ethics. For these mechanisms to be effective, they must be evaluated by the social auditor.

- **Financial Resources:** It is essential that every company has the necessary financial resources to achieve its objectives. It is vital that these resources align with the company's goals. The auditor must ensure that the correlation between financial means and objectives is proportional.

- **Technical Resources:** The term "technical resources" is to be interpreted in the broadest sense, as it includes not only industrial techniques but also management and commercial techniques. The correlation between technical resources and budgets is not an absolute rule. Some industrial choices may not align with the company's objectives, while other, less costly options are more suitable. The auditor must assess the adequacy of technical resources concerning the company's objectives.

2.2.3.3 The Information and Monitoring System: The information system plays a critical role in corporate governance and project monitoring. As such, information systems are a key focus for auditors to ensure the effectiveness of the Internal Control System (ICS).

2.2.3.4 Organisation: Every organisation needs to be Adapted and adaptable (to its objectives, size, environment and industry). Verifiable and formalised. Structured with appropriate segregation of incompatible functions.

The main functions that should be segregated include Authorising function (making decisions or giving orders); Recording function (accounting); Financial function (payment processing); Custody function (physical asset management); Control function (monitoring and verification).

2.2.3.5 Methods and procedures: Procedures and methods define how an action or process should be carried out. These procedures serve as the company's operational memory and form the basis on which the social auditor evaluates discrepancies, makes assessments and makes recommendations.

2.2.3.6 Supervision: Supervision should not be seen as suspicion of subordinates. Rather, supervision is: (Jacques, 2007) An act of support; An act of reward; An act of verification.

2.2.4 Information and communication

In order to make informed decisions and implement effective control measures, management needs to obtain, produce and use relevant and high quality information. Communication is the process by which information is shared in a timely manner to enable people to fulfil their control responsibilities. This communication should be Internal, vertical and horizontal, ensuring the flow of information throughout the organisation. External, allowing the company to gain internal insight from stakeholders and to share relevant internal information with external parties in line with their expectations (Amira).

2.2.5 Governance and oversight

Based on the principle that "what gets measured gets improved" (M, 2010), monitoring is a key tool for improving the effectiveness and efficiency of the internal control system. It enables evaluation, the identification of positive and negative factors, and the formulation of recommendations for improvement.

Monitoring is therefore the guardian of the performance of the internal control system. It is often said that "people don't do what is expected of them; they do what is monitored". Organisations do: Ongoing assessments, which are integrated into business processes at all levels and ensure real-time updates; Periodic assessments, which vary in scope and frequency based on risk assessment, the effectiveness of ongoing assessments, and management **considerations** (Ifaci, 2014).

3. Internal control tools

3.1 Ethics Charter: The Ethics Charter defines a set of organisational practices, describing the values, behaviours and standards of professionalism that the organisation upholds. It must be known and respected by all, and serve as a reference and code of conduct.

3.2 Internal control charter: This charter is a fundamental document and a reference framework within the organisation. Generally approved by the Audit Committee, it sets out the organisation's commitment to internal control processes and the conditions for their proper implementation.

3.3 Internal Documents: Internal documents serve as a guide for members of the organisation, providing information and instructions necessary for day-to-day operations.

3.4 Internal Control Questionnaire: The Internal Control Questionnaire is a methodological tool designed to analyse an activity, process or function. Its purpose is to identify weaknesses and malfunctions; allow the development of an appropriate internal control system.

3.5 Task Analysis Grid: The Task Analysis Grid is a structured tool that provides a snapshot at a given time (T) of the various tasks and their distribution within the organisation. This tool helps to identify any gaps in the segregation of duties to ensure that the organisational structure functions efficiently and harmoniously.

3.6 Training programmes: Training programmes (internships, refresher courses, etc.) must be implemented to promote and continuously improve the internal control system. Training improves the efficiency of resources; skills development: individual potential in each role. A competent workforce ensures better management and control of its activities and thus contributes to the long-term effectiveness of internal control and the overall performance of the organisation.

3.7 IT tools: In an ever-evolving world, technology has become an essential component of modern organisations, regardless of size or industry. IT tools streamline processes, increase efficiency and support internal control systems (Hadjer, 2015).

4. Practical case study

We conducted an internship at the Société d'Étude et de Réalisation d'Ouvrage d'Art de l'Ouest (SEROR), Tlemcen. The main objective of this study was to assess the impact of social

auditing on the company's internal control system and to provide recommendations for improvement. To achieve this, we adopted a qualitative approach using a combination of techniques: Document analysis; on-site observations; interviews with key company executives. Executives interviewed included: The Director of Human Resources; The Head of Internal Audit; The Head of Training; The Head of Human Resources and other senior managers.

4.1 Evaluation of SEROR's internal control system using the COSO framework

4.1.1 Control Environment: SEROR's organisational culture is based on ethics, integrity and shared values. Although there is no formal code of conduct, key principles such as transparency and accountability are embedded in the company's internal regulations.

The company reinforces its culture through well-defined HR procedures, particularly in the following areas: Management; Recruitment, Payroll, Employee development. These processes focus on fairness and inclusion.

4.1.2 Risk assessment: SEROR uses a structured and proactive approach to identify and analyse risks that may affect its operational objectives. The company uses: Detailed Risk Mapping; Process Analysis; Internal Expertise; Employee Observations. Examples of risks identified: Lack of renewal of workers' identification documents; The Company has not renewed workers' CNAS (social security) and residence cards for over four years. This creates a risk of financial leakage.

4.1.3 Recommended solution: Implement an annual administrative document review to prevent compliance issues and financial loss. Lack of employee competency assessment; the company does not conduct regular employee competency assessments, which may affect overall performance.

4.1.4 Recommended Solution: Establish a systematic competency evaluation process to improve human resource management and optimise workforce efficiency.

4.1.5 Control activities: SEROR has implemented various control mechanisms and management processes to ensure compliance with executive directives. These include: Segregation of duties; Formal and documented processes; Strict hierarchical control; Systematic traceability of operations; IT security measures.

4.1.6 Information and communication: the company uses two main methods to communicate critical internal control information: Traditional method; physical documents such as audit reports and management control reports. Digital method - more commonly used, including: Extranet messaging for external communication; Intranet messaging for internal communication; specialised systems such as GED Kraken for document management and an ERP system for administrative tasks (HR, accounting, finance, etc.); the company website for sharing general information.

These tools ensure secure and efficient communication both internally and externally.

4.1.7 Steering and Monitoring (Pilotage): to assess the effectiveness of internal control, the audit team continually identifies strengths and weaknesses in the system. The aim is to build on the positive aspects and correct the weaknesses.

4.1.8 The audit team: systematically analyses and evaluates existing procedures; makes recommendations to improve the effectiveness of internal controls. However, a major shortcoming identified was the lack of performance indicators to measure the effectiveness of internal controls.

4. 2 Social Auditor's Evaluation of Internal Control Components

Social auditing plays a crucial role in improving the internal control system at SEROR Tlemcen by strengthening its five key components:

- Validation of formalised policies: It ensures the existence of structured policies in the areas of human resources and ethics, thus creating a control environment in line with the company's values.

- Risk assessment: It assesses HR-related risks by identifying, confirming and eliminating potential risks through specific recommendations.

- Improving control activities: Reviewing and improving controls by assessing the effectiveness of recruitment, training and payroll procedures.

- Ensuring reliable information and communication: Ensuring the security of IT systems and the proper communication of internal information.

- Supporting decision-making: Social auditing provides a structured decision-making mechanism that strengthens the overall internal control system.

In summary, social auditing is a powerful tool for optimising the management and performance of SEROR. It acts as a key driver for improving the company's internal control system, confirming the main hypothesis of this study.

Conclusion

Our research has highlighted several key aspects of SEROR's internal control system and social audit. At the core is a culture rooted in ethics and transparency, supported by fair and meritocratic human resource management. Risk management is rigorous, with well-structured and monitored control activities. In addition, internal information and communication are effective, while social audit plays a crucial role in the continuous improvement of organisational processes. In addition to these findings, our study highlights the need for a dynamic and adaptive approach to internal control and social auditing. In a constantly evolving business environment, organisations need to remain proactive in identifying emerging risks, integrating innovative technologies and refining their control mechanisms.

The effectiveness of internal control depends not only on compliance with regulations, but also on the commitment of employees, the clarity of responsibilities and the ability to foster a culture of accountability and continuous improvement. Therefore, strengthening training programmes, promoting transparency in decision-making and enhancing digital tools for risk assessment are essential strategies to ensure long-term sustainability and performance. Following an in-depth analysis conducted at SEROR, several key recommendations have been proposed to strengthen the internal control system and improve social auditing practices. A summary of the key recommendations is provided below:

- Formalise a code of conduct and create an official document to standardise ethical expectations and behaviour.
- Automate risk management and implement digital tools for continuous risk monitoring.
- Regular monitoring and evaluation
- Establish regular assessments of internal control procedures and strengthen audit independence

- Strengthen the independence of internal and social audits to ensure impartial assessments.
- Transparency in absence management
- Analyse absence trends and train managers in effective tracking techniques.
- Issuing audit assignments by the CEO or Director General
- Ensure audit independence and objectivity by having assignments authorised by senior management.
- Train employees on social regulations and HR practices
- Provide ongoing training to improve compliance and HR management.
- Integrate modern digital tools
- Use data analytics tools to collect, analyse and present social audit information.
- Implement key performance indicators and develop and use specific KPIs to measure the effectiveness of internal controls.
- Regular follow-up of audit recommendations
- Establish a quarterly review of audit recommendations and use external audit reports.
- Use reports from external auditors (e.g. statutory auditors) and committee resolutions to track progress and adjust actions.

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