

Internal Auditing as a Main Mechanism for Corporate Governance to Enhance the Organization's Performance.

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Abstract:

This study aims to identify the role and importance of internal auditing, being a pillar of corporate governance, in improving the organization's performance, since it is an activity designed to enrich and develop the organization's operations, and help management to effectively discharge its responsibilities and decision making at the right time.

In this study, we discussed at first the conceptual framework of Internal auditing, and then we dealt with the theoretical framework of corporate governance in terms of concept, roles and goals and also its key components. Finally, we dealt with the role played by internal auditing in corporate governance and its effects on the organization's performance by scrutinising its relationship with the other components of corporate governance.

In the practical side and testing the hypotheses, a questionnaire was prepared, distributed and analyzed using the appropriate statistical tools. This study came up with some results, that internal auditing is a core and effective tool for corporate governance in improving the organization's performance, through its assessment of the adequacy of the organization's internal control and risk management systems, providing the necessary consulting services, and also by its good interaction and cooperation with the other tools of corporate governance, which reflect positively on the organization's performance. For this, the value-added of internal auditing should be kept in the mind of all parties and even serve as guidance toward the good performance in the organization.

Key words: Internal auditing, corporate governance, board of directors, risk management, organization's performance.

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الملخص:

أما في الجانب التطبيقي واختبار الفرضيات، فقد تم تحضير وتوزيع استبيان وقمنا بالتحليل باستعمال الأدوات الإحصائية المناسبة، وقد خلصت هذه الدراسة إلى مجموعة من النتائج أهمها أن التدقيق الداخلي يُعدُّ أداة أساسية وفعَّالة للتطبيق السليم للحوكمة ولتحسين أداء المنظمة وذلك من خلال تقييمه لمدى كفاية نظم الرقابة الداخلية وإدارة المخاطر في المنظمة وسعيه المستمر لتحسينها، إضافة إلى دوره في تقديم الاستشارات اللازمة لخدمة المنظمة وتحسين أداءها، وأيضاً من خلال تفاعلها الجيّد وخدمته لباقي عناصر الحوكمة بما ينعكس إيجاباً على الأداء. لذلك ينبغي أن تكون القيمة المضافة للتدقيق الداخلي راسخة في أذهانهم حتى تكون بمثابة الموجه إلى سلامة الأداء في المنظمة.

الكلمات المفتاحية: التدقيق الداخلي، الحوكمة، مجلس الإدارة، إدارة المخاطر، أداء المنظمة.

تهدف هذه الدراسة إلى بيان دور وأهمية التدقيق الداخلي-كعنصر هام من عناصر الحوكمة- في تحسين أداء المنظمة، باعتباره نشاط مصمم لإثراء وتطوير عملياتها بما يساهم في تحقيق أهدافها بطريقة منهجية ومنظمة، وكذا مساعدتها على القيام بمسؤولياتها بكفاءة وفعالية واتخاذ القرارات في الوقت المناسب.

تناولنا أولاً في هذه الدراسة الإطار المفاهيمي للتدقيق الداخلي من حيث تطور مفهومه وشروط فعاليته وأدواره الحديثة، ثم تعرضنا لبعض الجوانب النظرية للحوكمة من حيث مفهومها، أهميتها ومكوناتها الأساسية، وفي الأخير حاولنا التعرف على الدور الذي يلعبه التدقيق الداخلي في الحوكمة وانعكاسات ذلك على تحسين أداء المنظمة، وذلك من خلال فحص جوانب العلاقة بينه وبين العناصر الأخرى للحوكمة.

Introduction:

Traditionally, Internal Auditing (IA) has been viewed as a monitoring and compliance function aimed to ensure reliable accounting information and to safeguard organization's assets. More recently, the role of (IA) has evolved, and expanded its area of involvement beside financial compliance to include risk management and performance issues. Internal auditors started to challenge management and act as a catalyst for improvement, using their knowledge of risk and control to enhance business practices. Several factors have contributed to this change, including fraud and

corruption scandals, new laws and regulations and increased demand from stakeholders for greater assurance¹.

Simultaneously, because of the global financial crisis and corporate scandals, corporate governance (CG) has also grown up rapidly in the past few years and it has received wide attention, both in practice and in academic research². Recent events have highlighted the critical role of boards of directors (BOD) in promoting good (CG), in particular, boards are being charged with ultimate responsibility for the effectiveness of their organizations internal control systems³. In this respect, boards and audit committees started to look at (IA) as a possible answer to external demands to ensure the alignment of the interests of management with other stakeholders⁴.

In order to best examine the relationship between (IA) and (CG), this study proceeds to an historical approach and behind various argumentations analysis of (IA) activities, attempting to sketch out the relationship between (IA) and (CG) tools and the effects on the organizational performance.

-Problematic of the study:

In the light of the foregoing, the problematic of this study is summarized in the following question: **How does the Internal Auditing help to enhance corporate governance? And what are the effects on the organization's performance?**

Falling under this main study's question, the following sub-questions can also be raised:

1-Is there a positive relationship between an effective (IA) function and improving (CG) in the organization?

2-Does the quality of the relationship between (IA) and (CG)'s tools improve the organization's performance?

-Importance of the study:

The relationship between (CG) and the organization's performance has been the subject of a large body of literature both theoretical and empirical. Interest in these issues is prompted by the fact that (CG) tools supposedly can solve the basic agency problems that arise from the separation between ownership and control in the organization, protect the interests of all stakeholders and improve the performance. Given the

troubles experienced by many organizations due to the formal role of its (BOD) and the consequent weaknesses in control procedures, an increased attention was given to (IA) and its role in (CG) to enhance the performance of the organization as a whole. Based on the above, this study tries to identify the relationship between (IA) and the other tools of (CG), and how these interactions and cooperation will affect the organization's performance.

-Objective of the study:

The purpose of this study is to illustrate how (IA) helps the organization strengthen its (CG) and performance. This study sheds the light on the essential theoretical aspects of (IA) and (CG) and seeks to clarify its crucial interactions. This study also, focuses on examining the relationship between (IA) and the other tools of (CG).

-Methodology of the study:

For the collection of data, and to achieve the objectives of the study and test its hypotheses, a questionnaire was prepared and randomly distributed among internal auditors, external auditors, managers, accountants and professors. We applied the descriptive and the inferential statistical techniques to describe and analyse collected data and test the study's hypotheses.

1-Library research: This involves researching the theoretical background behind the development roles of internal auditing. Particular attention will then be focused on the modern concept of (IA).

2-Field work: This phase consists of collecting the necessary data. This will be done mainly through a questionnaire survey.

3-Data analysis: Different statistical techniques will be performed on the collected data to test the hypotheses. This will include parametric statistics (mean, standard deviation) and non-parametric statistics(Chi-square test). The computer analysis of the data will be performed using the Statistical Package for social Sciences (SPSS) and Microsoft Office Excel.

-Structure of the study:

The structure of this study is as follows: the 1st section discusses the conceptual framework of (IA), the 2nd section states the theoretical background of (CG), furthermore the 3rd section analyses the contribution of (IA) in (CG) and its roles and effects in improving the organisation's

performance. Finally, the last 4th section contains the empirical study to test the hypotheses and answer the questions in addition to some conclusions and recommendations

I-Conceptual framework of Internal Auditing:

In the past, (IA) did not need to consider the importance of adding value when performing its assignments. Instead, engagements typically consisted of verifying compliance with policies and procedures, without providing recommendations for improvement or performing other consultative activities; its role was often more akin to that of a police officer (watchdog) than a business partner⁵.

I-1-Definition of Internal Auditing:

In June 1999, the Institute of Internal Auditors (IIA) officially redefined the (IA) function as: "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations, it helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes⁶.

The (IIA)'s definition demonstrates that (IA) has undergone in recent years with regard to its role and how it is perceived. In the past, (IA) was regarded as a management support function that generally focused on financial and accounting matters, now its role include active risk management as an integral part of the (CG) process, (IA) is no longer focuses only on transactions that occurred in the past to determine whether control systems were effective, today's internal auditors also look ahead to identify the potential risks, management consulting is now considered an important and expanding role for internal auditors by suggesting recommendations that can improve the organization's operations⁷. This new definition of (IA) presents a new image of the profession in five significant ways⁸:

1-As an **objective activity**: Not necessarily established within the organization, the revised definition permits (IA) services to be provided by "outsiders" in effect acknowledging that quality (IA) services can now be obtained through outsourcing.

2-By emphasizing that the scope of (IA) encompasses **assurance and consulting** activities, the new definition projects (IA) as proactive and

customer focused, and concerned with key issues in control, risk management and governance.

3-By explicitly stating that (IA) **is designed to add value and improve an organization's operations**, the new definition underscores the significant contribution that (IA) makes for any organization.

4-By **considering the whole organization**, the new definition perceives (IA) mandate much more broadly, changing it with helping the organization accomplish overall objectives.

5-The new definition assumes that controls only exist to help the organization to manage its risks and promote effective governance. Such a perspective considerably **broadens the horizons** of (IA) and expands its working domain to include risk management, control and governance processes.

I-2-Effectiveness of Internal Auditing:

(IA) is effective if it provides the audit committee and executive management with the assurance they need, namely that they can rely on the organizations processes and systems to manage risks to the achievement of the organization's objectives. This means providing assurance on the most important risks to the organization, in a useful format and on timely basis. Additional value is provided through the role of (IA) as a change agent, making recommendations for improvement that are embraced and acted on by management⁹.

The determinants of (IA) effectiveness may include: Organizational independence¹⁰, individual Objectivity¹¹, proficiency and due professional care and the quality of audit work¹².

I-3-Components and new roles of Internal Auditing:

The new definition shifts the focus of the (IA) from one of assurance to that of value added and attempts to move the profession toward a standards-driven approach with a heightened identity¹³.

To add value to the organization, management should take into consideration the five components of an adequate internal control defined in the COSO report, these five components are¹⁴: Control environment, risk management, control activities, information and communication, monitoring. (IA) plays a catalytic role in this environment by providing roles

of supervision, prevention and protection, promotion, evaluation and certification, and also consultancy roles¹⁵.

II-Theoretical background of Corporate Governance:

(CG) is a relatively recent concept (Cadbury report 1992, the Organization for Economic Co-operation and development -OECD 1999) and its development has been affected by theories from a number of disciplines, including finance, economics, accounting, law, management and organizational behaviour¹⁶. The objective of (CG) is to ensure a balance between the various actors and to implement power control instruments, both for shareholders and other interested parties in the organization¹⁷.

Based on agency theory, the importance of (CG) is to reduce agency conflicts between those who control and those who own the organization, in other words, (CG) as a tool helps to align management's goals with those of the stakeholders that are to increase organization's performance¹⁸.

II-1-Definition of Corporate Governance:

-The simplest and most concise definition of (CG) was provided by the Cadbury report in 1992, which stated: "(CG) is the system by which companies are directed and controlled"¹⁹.

-(CG) is a system of checks and balances between management and all other connected parties with the aim of producing an effective, efficient, and law-abiding corporation²⁰. Good (CG) should provide proper incentives to the (BOD) and the organization's management to seek to achieve the goals that are in the interest of the organization and its shareholders²¹.

II-2- Goals of Corporate Governance:

Governance activities and initiatives are designed and executed with two primary goals²²:

-Create value for the organization: Building value is possibly the most important goal of an organization; this is what provides returns to shareholders, creates opportunities for employees, and helps sustain corporate life during challenging economic times.

-Create transparency: Transparency implies that management can effectively determine how the organization is operating, where the risks are, and whether corporate policies and mandates are being followed throughout the organization. Transparency is essentially management's

window into the internal workings of the company. The clearer the window, the better the ability to manage the organization effectively.

The current drive for transparency arose from the corporate scandals several years ago of Enron, WorldCom and others, these events were, for the most part, the driving force behind the enactment of the Sarbanes-Oxley Act (SOX) in 2002. The goal of SOX was to require that public organizations establish adequate controls to help ensure transparency and the accuracy of financial statements²³.

III- The role of Internal Auditing in strengthening Corporate Governance

(CG) tools include the (BOD), the audit committee, external audit and the (IA). To secure the operations of governance of a strong organization, there must be cooperation between the various components of the system of governance mentioned above²⁴.

(IA) and (CG) have now become a matter of major public concern, in this concept, international guidelines perceive that effective cooperation of (CG) and (IA) improves performance and is a source of competitive advantage²⁵. The contribution of (IA) to (CG) is depicted via demarcating the relationship between, (IA) and key elements of (CG). In the rest of this section, we will discuss the interactions between (IA) and the other tools of (CG), and also actions that (IA) should take to strengthen (CG).

III-1-Internal Auditing and the board of directors:

The (BOD) is just one of several governance tools²⁶, it leads and controls an organization, and hence, an effective board is fundamental to the success of the organization. The (BOD) is the link between managers and investors and is essential for good (CG) and investor relations²⁷. It must have a close relationship with senior management to ensure effective and successful enterprise and a strong internal control environment²⁸.

The Cadbury report (1992) recommended that an audit committee and a remuneration committee should be formed, and also stated that a nomination committee would be one possible way to make the board appointments process more transparent.

The new definition of (IA) "mentioned in P.3" focused on (CG), especially the (BOD), this definition emphasizes (IA) role in aiding the organization to achieve its objectives. Because of the fact that the (BOD) is ultimately

responsible for the organization's accomplishment of its objectives, the internal auditor's contribution is to provide information to that group²⁹.

The key role of (IA) is to assist the (BOD) in discharging its governance responsibilities by delivering³⁰: An objective evaluation of the existing risk and internal control framework; Systematic analysis of business processes and associated controls; reviews of the existence and value of assets; a source of information on major frauds and irregularities; reviews of compliance framework and specific compliance issues; reviews of operational and financial performance; recommendations for the accomplishment of the organization's goals and objectives; feedback on adherence to the organization's values and code of conduct/code of ethics.

From the above, (IA) role is crucial to supporting the (BOD) in ensuring adequate oversight of internal controls and in doing so form an integral part of an organization's (CG) framework.

III-2-Internal Auditing and the audit committee:

The committee of greatest interest to (IA) is the audit committee, which report regularly to the (BOD) and meets separately and periodically with management as well as internal and external audits³¹. An audit committee is composed of independent and non-executive directors of an organization whose specific responsibility is to supervise the (CG), financial reporting process and internal control structure. The audit committee generally acts as a liaison between the auditor and the (BOD) and its activities may include the review of the nomination of the auditors, overall scope of the audit, results of the audit, internal financial controls³².

(IA) plays a significant role in addressing the strategic needs of audit committees; it helps them fulfilling their board responsibilities for effective governance, risk management and maintenance of a robust internal control system. (IA) also actively advises audit committees on emerging risk and control issues, as well as enhancing its understanding of risk management concerns.

The (IA) group can be an avenue for the audit committee in reaching the source of a variety of problems, and it should deal directly with the head of (IA) rather than solely through other finance or control executives, and should make itself knowledgeable about the organization, staffing and budgets of (IA) department³³.

Based on the audit committee, on the one hand, (IA) contribute to (CG) by bringing best practice ideas about internal controls and risk management processes to the audit committee, providing information about any fraudulent activities or irregularities, conducting annual audits and reporting the results to the audit committee, encouraging audit committee to conduct periodic reviews of its activities and practices compared with best practices to ensure that its activities are constituent with leading practices³⁴. On the other hand, an effective audit committee strengthen the position of the (IA) function by providing an independent and supportive environment and review its effectiveness³⁵.

III-3-Internal Auditing and external auditing:

External auditing is also regarded as an important cornerstone of (CG), particularly with respect to the prevention and detection of fraud and errors in financial statements. Their role is to provide the shareholders with an external and objective check on the directors' financial statements which form the basis of that reporting system. The relationship between internal and external auditors should be one of mutual support and cooperation in order to strengthen overall audit quality and tools of (CG). Interaction and cooperation between the internal and external auditors should help the governing body to obtain a more comprehensive view of operations and risks whilst eliminating areas of possible duplication of audit efforts. Good communication between internal and external audit should also be of benefit to senior managers as both audit engagements and subsequent recommendations to the improvement of risk management and internal control will be better coordinated³⁶.

Given the specific scope and objectives of their mission, the risk information gathered by external auditors is typically limited to financial reporting risks and does not include the way senior management, the (BOD) and the audit committee are managing and monitoring the organization's strategic, business and compliance risks. However, (IA) function can provide assurance on these areas to senior management as well as the governing body. (IA) should consider these points in its audit planning process and may initiate separate follow-up activities to ascertain the effectiveness of management's corrective actions. Similarly, external audit should consider (IA) findings as an input into their own work. Finally, each type of audit has its well defined role, scope and responsibilities. Nevertheless, it is recommended that internal and external audit

collaborate in order to harmonise the message received by the governing body.

In light of the above, we conclude that when all of (CG)'s components operate effectively and are efficiently coordinated; (CG) will provide a platform to help the improvement of business performance and enhance stakeholder value.

IV-Empirical study, conclusions and recommendations:

IV-1-Sample of the study:

The sample used in this study consists of internal and external auditors, managers, accountants, and also academicians specialized in this field as mentioned in table N°1. The responses received (52 questionnaires among 80 that have been distributed) were input to a set of EXCEL spreadsheets for analysis. Then through SPSS, we computed the appropriate values for our analysis.

Table N° 1: Demographic characteristics of the respondents

Variable	Description	Frequency	Percentage
Qualification	Bachelor	32	62,7
	Master	12	23,5
	PhD	6	9,8
	Other	2	3,9
	Total	52	100,0
Specialty	Accounting	24	47,1
	Finance	18	35,3
	Management	8	15,7
	Other	2	2,0
	Total	52	100,0
Professional	Chartered accountant	4	9,8
	Certified external auditor	16	39,0
	Certified internal auditor	8	17,1
	Other	14	34,1
	Total	41	100,0
Position	Internal auditor	14	27,5
	Director of internal audit	2	3,9
	Manager	3	5,9
	Management controller	2	3,9
	Accountant	16	31,4

	Other	14	27,5
	Total	52	100,0
Experience	Less than 5 years	18	33,3
	5-10 years	20	39,2
	More than 10 years	14	27,5
	Total	52	100,0

Source: Data collected from the respondents.

IV -2-Statistical methods used:

In order to answer the problematic and test the hypotheses, descriptive analysis (frequencies and percentage) were used, in addition to Chi-square test, as follows:

-Frequencies and percentages: They are used to know the extent of the trend of the respondents towards a particular choice of the submitted questions.

-Chi-square test: Which is used for the analysis of data located in multiple classifications, in this case Chi-square test is called Chi-squared goodness of fit test, because it's used to detect the existence of significant differences between the observed frequency of the responses located in each classification, and the expected frequency based on the null hypothesis. The purpose of this test in our study is to find out the existence of significant differences between the answers of this question: Is there a trend towards a certain choice among the choices given to the respondents or not?

IV -3-Reliability of the questionnaire:

To measure the stability and the reliability of the questionnaire, we calculated Cronbach's Alpha. The value of Cronbach's alpha is close to one (1), which means there is a very high reliability. As shown in the below table:

Table N°.2: Reliability Statistics

Cronbach's Alpha	N of Items
0,984	22

Source: Calculated by SPSS.

IV -4-Hypotheses testing:

-Hypothesis N°.1: Independence and objectivity of (IA) lead to increase its effectiveness in the organization.

Q6	F	P %	Chi-Square	Df	Signification
Submit internal audit reports to the audit committee or senior management.	31	41,9	34,10	4	<i>less than 0,01</i>
Appointment and dismissal of internal auditors and determine their remuneration by the audit committee or senior management.	19	25,7			
Outsourcing of internal audit work	9	12,2			
The verification of internal audit works by the audit committee or the external auditor	14	18,9			
Other	1	1,4			
Total	74	100			
Q7	F	P %	Chi-Square	Df	Signification
Strongly agree	31	59,6	47,23	3	<i>less than 0,01</i>
Agree	18	34,6			
Neutral	2	3,8			
Disagree	1	1,9			
Total	52	100			
Q8	F	P %	Chi-Square	Df	Signification

The accuracy and adequacy of the (IA) programs.	21	21,2	24,58	4	<i>less than 0,01</i>
The adequacy of the extent and scope of (IA) work	16	16,2			
Ensure that internal auditors provide the required professional care in their duties.	30	30,3			
Support for the senior management of the (IA)	29	29,3			
Other	3	3,0			
Total	99	100			
Q9	F	P %	Chi-Square	Df	Signification
Senior Management	10	19,2	21,26	2	<i>less than 0,01</i>
Audit Committee	9	17,3			
Double subordination	33	63,5			
Total	52	100			
Q10	F	P %	Chi-Square	Df	Signification
Improve the alignment of (IA) in accordance with the stakeholders' expectations	18	25,4	30,62	4	<i>less than 0,01</i>
Ensuring the leading role to coordinate the control lines in the organization	5	7,0			
Strengthen its ability to deliver objective assurance on strategic risks	19	26,8			
Become a strategic advisor to the audit committee and senior management	27	38,0			
Other	2	2,8			
Total	71	100,0			

Q6: The above table represents test differences Chi-square, where the calculated level of signification (Sig) is less than 5%, which means rejecting the null hypothesis and accepting the alternative hypothesis which states

the existence of statistically significant differences between the options in favour of the 1st option which got the highest percentage 41.9%, followed by the 2nd and the 4th option with 25.7% and 18.9% respectively.

Q7: (Sig) is less than 5%, which means rejecting the null hypothesis and accepting the alternative hypothesis, which states the existence of statistically significant differences in favour of the 1st option which got the highest percentage (59.6%). This means that the general trend of respondents' opinions is the option "strongly agree", i.e. There is a consensus in the answers of this question.

Q8: (Sig) is less than 5%, which means rejecting the null hypothesis and accepting the alternative hypothesis which states the existence of statistically significant differences in favour of the 3rd and the 4th option which got 30.3% and 29.3% respectively, followed by the 1st option with 21.2%. Pointing out that these three options received more than 80% of the views of the respondents.

Q9: (Sig) is less than 5%, which means rejecting the null hypothesis and accepting the alternative hypothesis which states the existence of statistically significant differences in favour of the 3rd option with 63.5% so double subordination, to the senior management in the administrative side and to the audit Committee in the functional side.

Q10: (Sig) is less than 5%, which means rejecting the null hypothesis and accepting the alternative hypothesis which states the existence of statistically significant differences in favour of the 4th option with 38%, followed by the 3rd option with 26.8%, then the 1st option with 25.4%. Pointing out that these three options received more than 80% of the views of the respondents.

Based on the analysis of questions (Q6 up to Q10) we conclude that the 1st hypothesis is confirmed and accepted.

-Hypothesis N°. 2: The effective application of (IA) works leads to enhance corporate governance

Q11	F	P %	Chi-Square	DF	Signification
Strongly agree	25	48,1	44,30	3	less than 0,01
Agree	25	48,1			
Neutral	1	1,9			
Disagree	1	1,9			
Total	52	100			
Q12	F	P %	Chi-Square	Df	Signification
Strongly agree	26	50,0	32,76	3	less than 0,01
Agree	20	38,5			
Neutral	5	9,6			
Disagree	1	1,9			
Total	52	100			
Q13	F	P %	Chi-Square	Df	Signification
Strongly agree	27	51,9	30,92	3	less than 0,01
Agree	18	34,6			
Neutral	4	7,7			
Disagree	3	5,8			
Total	52	100			
Q14	F	P %	Chi-Square	Df	Signification
Strongly agree	28	53,8	34,76	3	less than 0,01
Agree	18	34,6			
Neutral	4	7,7			
Disagree	2	3,8			
Total	52	100			
Q15	F	P %	Chi-Square	Df	Signification
Strongly agree	25	48,1	23,11	2	less than 0,01
Agree	26	50,0			
Neutral	1	1,9			
Total	52	100			
Q16	F	P %	Chi-Square	Df	Signification
Strongly agree	21	40,4	19,84	3	less than 0,01
Agree	21	40,4			
Neutral	6	11,5			
Disagree	4	7,7			
Total	52	100			
Q17	F	P %	Chi-Square	Df	Signification

Strongly agree	30	57,7	16,76	2	less than 0,01
Agree	16	30,8			
Neutral	6	11,5			
Total	52	100			
Q18	F	P %	Chi-Square	Df	Signification
Strongly agree	13	25,0	6,26	4	0,17
Agree	12	23,1			
Neutral	14	26,9			
Disagree	9	17,3			
strongly Disagree	4	7,7			
Total	52	100			
Q19	F	P %	Chi-Square	Df	Signification
Provide senior management with the adequate and relevant information	37	51,4	40,22	3	less than 0,01
Provide relevant information to the audit committee to help it in performing its supervision	23	31,9			
Provide information to the external auditor on the risks faced by the organization and the related control's procedures	11	15,3			
Other	1	1,4			
Total	72	100			

Questions	Minimum	Maximum	Mean	Std. Deviation	Trend of respondents' answers
Q11	1,00	4,00	1,5769	,63697	The trend is towards strongly agree
Q12	1,00	4,00	1,6346	,74172	The trend is towards strongly agree
Q13	1,00	4,00	1,6731	,85683	The trend is towards strongly agree
Q14	1,00	4,00	1,6154	,79592	The trend is towards strongly agree
Q15	1,00	3,00	1,5385	,54093	The trend is towards strongly agree
Q16	1,00	4,00	1,8654	,90811	The trend is towards agree
Q17	1,00	3,00	1,5385	,69906	The trend is towards strongly agree
Q18	1,00	5,00	2,5962	1,25651	The trend is towards agree

The above questions (Q11 up to Q18) can be analysed using averages instead of percentages which are known as Quintet Likert scale. We calculate the length of the scale which equals to $5-1=4$, then we calculate the length of each field which equals to $(5:4) = 0.8$. If the arithmetic average (mean) is between 1 and 1.8 it means that the trend is toward strongly agree (Q11 up to Q15, Q17). If the mean is between 1.8 and 2.6 it means that the trend is toward Agree (Q16 and Q 18).

Q19: (Sig) is less than 5%, which means accepting the alternative hypothesis, which states the existence of statistically significant differences between the options in favour of the 1st option with 51.4%, followed by the 2nd option with 31.9%, then the 3rd option by 15.3%.

From the above analysis (Q11 to Q19) we notice that the majority of respondents' answers tend toward the option "strongly agree" which confirm that the 2nd hypothesis is confirmed and accepted.

-Hypothesis N°.3: Effective (IA) and good (CG) contribute in improving operations and performance of the organization.

Q20	F	P %	Chi-Square	Df	Significance
Increasing the production efficiency through the training of personnel	15	14,0	27,05	5	less than 0,01
The benefits it brings to all parties dealing with it	8	7,5			
Its continuous quest to improve the organization's operations by providing consulting services	34	31,8			
Its assistance in achieving the objectives through the evaluation and monitoring of performance	19	17,8			
The elimination of extravagance in all activities of the organization	8	7,5			
Optimizing the efficiency of operations and programs	22	20,6			
Other	1	,9			
Total	107	100			
Q21	F	P %	Chi-	Df	Significance

			Square		
The support of senior management	29	38,2	29,15	3	less than 0,01
The competence of the internal audit team	30	39,5			
Coordination and cooperation with the other control functions in the organization	16	21,1			
Other	1	1,3			
Total	76	100			
Q22	F	P %	Chi-Square	Df	Signification
Strongly agree	29	55,8	22,36	2	less than 0,01
Agree	19	36,5			
Neutral	2	3,8			
Total	50	96,2			
System	2	3,8			
Total	52	100			
Q23	F	P %	Chi-Square	Df	Signification
Manage risks and ensure that control procedures are implemented as planned	33	32,0	20,74	4	less than 0,01
Improve the efficiency of the organization	23	22,3			
Motivate the board members to pursue and monitor the achievement of the organization's objectives	15	14,6			
Increase the transparency and reliability of the financial reports	25	24,3			
Increase the competitiveness of the organization	6	5,8			
Other	1	1,0			
Total	103	100			
Q24	F	P %	Chi-Square	Df	Signification
Advise and assist senior management in financial, , in order to improve organizational performance	28	16,8	23,29	5	less than
Support management for an optimal use of available resources	13	7,8			

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Allow the board's members to obtain the accurate and required information in a timely basis	22	13,2			0,01
Report to the audit Committee for any deviations or irregularities committed in the organization	24	14,4			
Help the external auditor while examining the internal control procedures to determine the scope of examination.	9	5,4			
Provide an objective assurance to the senior management on the adequacy of internal control and risk management.	18	10,8			
Assist members of the organization to carry out their responsibilities effectively by providing them	20	12,0			
Identify weaknesses in the systems and procedures in order to make adjustments and improvements required	32	19,2			
Other	1	,6			
Total	167	100			
Q25	F	P %	Chi-Square	Df	Significati on
Provide an independent, transversal and expert view on the activities of the organization	23	22,5	3,88	4	0,42
Relevance of the recommendations that allow improving performance and reducing costs	15	14,7			
Its ability to anticipate and control risks	21	20,6			
Its permanent quest to improve the effectiveness of processes and optimization of available resources	17	16,7			
Improve the Organization's management system	26	25,5			
Total	102	100			
Q26	F	P %	Chi-Square	Df	Significati on
Very big	12	23,1		4	
Big	28	53,8			

Neutral	7	13,5	43,19		less than 0,01
Few	3	5,8			
A little bit	2	3,8			
Total	52	100			
Q27	F	P %	Chi-Square	Df	Signification
Very big	16	30,8	56,07	4	less than 0,01
Big	29	55,8			
Neutral	5	9,6			
Few	1	1,9			
A little bit	1	1,9			
Total	52	100			

Q20: (Sig) is less than 5%, which means rejecting the null hypothesis and accepting the alternative hypothesis, which states the existence of statistically significant differences in favour of the 3rd option with 31.8%, followed by the 6th option with 20.6%, then the 4th option with 17.8%. These represent more than 70% of the total percentage.

Q21: (Sig) is less than 5%, which means rejecting the null hypothesis and accepting the alternative hypothesis which states the existence of statistically significant differences in favour of the 1st and 2nd options by about 39% each, followed by the 3rd option with 21.1%.

Q22: (Sig) is less than 5%, which means rejecting the null hypothesis and accepting the alternative hypothesis which states the existence of statistically significant differences in favour of the 1st option which received the highest percentage 55,8%. This means that the general trend of respondents' opinions is the option "strongly agree", i.e. There is a consensus in the answers of this question.

Q23: (Sig) is less than 5% which means accepting the alternative hypothesis which states the existence of statistically significant differences in favour of the 1st option with 32% followed by the 4th option with 24.3% then the 2nd option with 22.3%. These three options represent more than 78% of the total percentage.

Q24: (Sig) is less than 5%, which means accepting the alternative hypothesis, which states the existence of statistically significant differences in favour of the 8th option, because it has the highest percentage equals to 19.2 % followed by the 1st and the 4th option with 16.8% and 14.4% respectively. We also notice that these three options represent for more than 50% of the total percentage.

Q25: (Sig) is greater than 5% which means accepting the null hypothesis, which states there is no statistically significant differences between the options, so we cannot say for there is a general trend in the answers about a particular option and this is illustrated by the percentages converged, this mean that all the options have the same weight for the respondents.

Question	Min	Max	Mean	Std. Deviation	Trend of respondents' answers
Q26	1,00	5,00	2,1346	,97073	The trend is towards big respond
Q27	1,00	5,00	1,8846	,80814	The trend is towards big contribution

Q26 and Q 27: The respondents options are generally moving toward the 2nd option which states that the degree of managers' respond to the recommendations provided by the internal auditors of the organization was big, and these recommendations, have contributed in improving the operations and performance of the organization (i.e. recommendations embraced and acted on by management).

Based on the foregoing analysis (Q20 up to Q 27), the 3rd hypothesis is confirmed and accepted.

IV -5- Conclusions and recommendations:

IV -5-1-Conclusions:

The most important findings of this study are as follows:

- (IA) is a valuable resource to an organization's executive management, governing bodies and other stakeholders in helping them achieve their business objectives, as well as strengthening internal control and governance. It provides assurance to them, that governance processes are sound and the internal controls are adequate to mitigate risks, also it serves as consultant who analyses opportunities and offers recommendations for improvement.

-The analysis showed that (IA) effectiveness is a multidimensional construct. The objectivity and professional proficiency of internal auditors, organisational independence, and senior management's support to the (IA) were found to be the most important conditions for (IA) effectiveness.

-Providing assurance is a core and expected value driver for any (IA) function, additional, value-added consulting services can be added once those core services are being delivered. (IA) acts as a catalyst for improving an organization's effectiveness and efficiency by providing insight and recommendations based on objective analyses and assessments of data and processes.

- Audit committees can bring significant benefits, in particular, they have the potential to improve the quality of financial reporting, by reviewing the financial statements on behalf of the (BOD); create a climate of discipline and control which will reduce the opportunity for fraud; strengthen the position of the external auditor; and finally strengthen the position of the internal audit function; by providing a greater degree of independence from management.

-Veritable governance activities assume a much higher organizational profile, as a result, the (BOD) and audit committees are looking to (IA) to play a more prominent role in assessing the effectiveness of current governance practices.

-The best governance addresses the needs of all of an organization's stakeholders, because all of them share a common interest in perpetuating the business. In other words well governed organizations recognize that balancing the interest of them all is critical for a sustainable organization.

The returns from improving (CG) may not be immediately measurable, but the long term results of a successful governance program include better brand and reputation management, enhanced market value, compliance

with regulations, sound business practices and a more solid foundation for growth.

-When all the tools operate effectively and are efficiently coordinated, (CG) provides a platform to help improve business performance and enhance stakeholder value. Finally, the evidence as to whether good (CG) impacts on the organization performance is rather mixed but; looking at it another way; good (CG) can help ensure organizations do not fail; also an organization with good (CG) is more likely to attract external capital flows than one without.

IV -5- 2-Recommendations:

Based on this study, we recommend the following points:

-In addition to the executive directors and their intimate knowledge of the business,the (BOD) should include non-executive directors of sufficient calibre and number for their views to carry significant weight in the board's decisions, and they should bring an independent judgement to bear on issues of strategy, performance, resources, and standards of conduct. The (BOD) should meet regularly, retain full and effective control over the organization and monitor the executive management.

-The (BOD) should establish an audit committee of at least three non-executive directors. This audit committee should be asked to supervise the activities of (IA) and to receive its reports on behalf of the (BOD); which leads to promote the highest standards of (CG).

-Since an effective internal control system is a key aspect of the efficient management of an organization, we recommend that the directors should make a statement in the report and accounts on the effectiveness of their internal control system.

-It is essential that heads of (IA) should have unrestricted access to the audit committee's chairman in order to ensure its independence. We believe that an (IA) function is best served if it reports directly to the audit committee on a functional level and to the (CEO) on an administrative level.

- (IA)'s scope should include a number of key areas, these include the important areas of governance structures and processes, strategic and management information presented to the (BOD), risk and control culture of the organization.

Finally to ensure that consulting services of internal auditors are compatible with the assurance role, they should not assume any management responsibility.

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