

## The relationship between internal censorship components by the existing coso framework and the performance of the external Auditor

An exploratory study on the accounts in some audit offices  
(Inspired by master's thesis)

Asst.Prof.  
Qayssar Ali Obaid Al-Fatlawi

The researcher  
Athraa Khudhair Juma Al-Ramaahi

Kufa University / Faculty of Management and Economics

### Abstract

The research aims to enhance intellectual knowledge about the internal control framework that brings together the updated components of Coso, also seeks to evaluate the internal control framework according to the updated Coso framework in Iraqi private banks, the research sample and the effect of the components of the updated Coso framework on the performance of the external Auditor, and the research community is made up of auditors External employees working in the companies and offices of the external auditors, as well as the internal auditors, are working in the internal audit departments in the private banks listed in the Iraq Stock Exchange.

For the purpose of testing the hypotheses, fifteen of the Iraqi private banks were chosen. The survey forms were distributed to a sample of the internal auditors working in those banks, and there was a discrepancy between the private banks in applying the components of internal control according to the (updated Coso framework) consisting of the control environment, risk assessment, Oversight activities, information and communications, and follow-up and oversight.

A questionnaire was also distributed, which included five axes for each axis, a set of questions based on the survey forms, and they were distributed to the offices of external auditors to show the impact of the internal control components according to (updated Coso framework) on the performance of the external Auditor.

Among the most prominent conclusions reached by the study: Whenever the internal control system becomes coherent and robust, this is reflected in the performance of the external Auditor, as it leads to a reduction in the sample size, effort and time, and leads to a reduction in the risks to which the unit is exposed and seeking to achieve its goals.

### Introduction:

The internal control system has developed rapidly in line with the enormous economic developments in the world in the field of industry and business and the emergence of large and multinational companies, so the attention to the internal control system has increased to achieve the best exploitation of available economic resources and prevent cases of fraud and error, which led many international and local professional organizations to raise attention to the concepts of internal control and modern frameworks to increase its effectiveness, including structures coso updated issued by a committee

(Treadway) which consists of five components: Control environment, risk assessment, control activities, information and communications, surveillance.

The evaluation of the internal control system is the starting point for the work of the external Auditor, the stronger the system is, the more reliable it is to choose the sample size, the Number of tests it conducts, the time limit for the completion of audit tasks, so the research seeks to measure the extent to which a sample of Iraqi private banks apply the components and principles of the updated Coso framework and indicate the impact on the performance of the external Auditor.

## 1- Research Methodology and Previous Studies

### 1-1 Research methodology:

#### 1.1.1 problem statement

The dependence of economic units on the traditional elements of control in internal control systems does not contribute to the development of their performance to enhance their responsibilities and support their stability. Still, it makes them vulnerable to threats, the lack of economic units in keeping with modern developments in the requirements of the control systems, is reflected in the performance of the parties affected by the effectiveness of the internal control system.

The problem of studying formulated with the following question:

How useful is the framework of the internal control system by the updated Coso framework on the performance of the Auditor?

The following sub-questions follow:

1. How does the internal control environment affect the performance of the Auditor?
2. How does internal control risk determination affect the performance of the Auditor?
3. How do the nature of domestic control activities and procedures affect the performance of the Auditor?
4. How does the quality of the information and internal control communications affect the performance of the Auditor?
5. To what extent does monitoring and monitoring internal control procedures affect the performance of the Auditor?

#### 1.1.2 The importance of the study

The importance of research lies in the following points:

1. Highlight the importance and effectiveness of the internal control system by the components of the existing Coso in maintaining the resources of available economic units and optimizing those resources.
- 2- Support control measures in economic units through an internal control framework that relies on the components of the up-to-work Coso and its impact on the performance of the Auditor.

#### 1.1.3 Objectives of the study

1. The research seeks to enhance intellectual knowledge of the internal control framework that combines the components of the up-to-end Coso.
2. To indicate the impact of the elements of the updated Coso on the performance of the Auditor.

#### 1.1.4 Research hypotheses:

The research-based on the following central theory:

The fundamental premise: there is a statistically significant effect between the framework of the internal control system Coso, which is up-to-the-file, in the performance of the Auditor.

The following sub hypotheses follow:

- 1- There is a statistically significant effect between the internal control environment in the performance of the Auditor.
2. There is a statistically significant effect between determining the risks of internal control in the performance of the Auditor.
- 3- There is a statistically significant effect between the nature of internal control activities and procedures in the performance of the Auditor.
- 4- There is a statistically significant effect between the nature of the information and internal control communications in the performance of the Auditor.
- 5- There is a statistically significant effect between monitoring and monitoring internal control procedures in the performance of the Auditor.

#### 1.1.5 Method of data acquisition

The data required to complete the research obtained in two main aspects:

**Theoretical aspect:** based on Arabic and foreign books, scientific letters and letters, scientific journals, and websites.

**Practical aspect:** The study of internal control components was based on the updated Coso framework and the impact of these components on the performance of the Auditor through a questionnaire.

#### 1.2 Previous studies

##### 1.2.1 Arabic Studies

1. Review (Al-Jajawi: 2006)

**(Analysis of the importance of internal control elements to auditors: an exploratory study of a sample of Iraq's auditors)**

The study aimed at surveying the opinions of an example of auditors in Iraq related to the importance of internal control elements, and analyzing their influence when planning audit procedures to guide the work of the auditors.

One of the essential conclusions he reached: preserving the assets of the unit through the development of the concept of internal control from a narrow view to a broader concept that includes a coherent set of components on which is a measure on which to evaluate the effectiveness of the internal control system, and the parts are (control environment, risk assessment, control activities, information and communication, follow-up).

2. Study (Al-Khairou,2012)

**(Improving the effectiveness of the internal control system in accordance with the requirements of the Coso Committee)**

This study focused on improving the effectiveness of internal control according to the Coso model by identifying the ability to provide components of the system according to the model and concentrate on areas of improvement in it, where the research addressed the availability of Coso components in the sample research unit. The study found that the scope of internal audit work

changed from focusing on financial aspects to include administrative and operational issues and adding value to the group through the provision of advisory and confirmation services.

### 1.2.2 Foreign Studies:

Study ( Zulkifflee and Mazlina: 2012 )

(Internal Audit Attributes and External Audits Reliance on, Internal Audit, Implications for Audit Fees )

The study aimed to examine the quality of internal audit by examining the efficiency of the internal audit department. The contribution of the audit department to review financial statements and reduce the costs of external audit and the study found that there is an inverse relationship between the fees of the external Auditor and the efficiency of the internal Auditor and the study recommended the need to pay attention to the quality of internal audit by enhancing the experience, training and scientific certificate carried by the internal Auditor, and the need for cooperation and coordination between the internal and external Auditor to achieve the effectiveness of the unit and contribute to the reduction of audit costs.

## 2. The theoretical aspect of the search

### 2.1 External Auditor

The Auditor is interested in performing the task of impartial audit, as well as the applied and theoretical aspects of the independent audit process, and enhancing the role that auditing and accounting play in maintaining the wealth and resources of society.

The increased interest in auditing services stems from the nature of the Auditor's role in critically considering the financial statements provided to him to improve their ability to meet the needs of users of financial comments on the final product of the audit, which is represented by the neutral technical opinion of the External Auditor, as a result of the difficulties faced by users of financial statements in assessing the quality and efficiency of the information provided to them and the degree of reliability of the information provided to them, due to multiple factors such as conflicts of interest between users and managers, especially after the emergence of (joint-stock companies) characterized by the separation of management and ownership. (Lotfi, 2005: 16)

The external Auditor was known as: the moral or natural person, who practices the profession of audit, is independent, competent and competent, and who gathers measurable evidence for the preparation of a report on the degree of conformity between the legislative criteria that do not depart from them and the quantifiable information. (Arab Association of Chartered Accountants, 2001: 189)

### 2.2 Factors related to the professional performance of the External Auditor

#### 1- Planning the audit and sample size:

The Auditor plans the work to be done effectively and is intended to prepare: - to develop specific methods and a general strategy on the nature, timing, and scope of the audit process, as the external Auditor plans to step up the planning process efficiently and on time.

Appropriate audit work planning helps to ensure that proper care has been given to professional areas in the audit process, and the plan also grants the appropriate distribution of works to assistants and the arrangement of work for experts and others by the External Auditor (IFAC, 2004:270).

2- Evaluation of the internal control system and obtaining sufficient evidence: Work should be done on the design of an internal accounting control system to provide reasonable assurances that the administration approves financial operations, and the preparation and registration of financial statements following financial reporting standards, and accounting accountability for assets if used or disposed of after the approval of the unit management, and in the case of deficiencies in the internal control system, the external Auditor should prepare a report to be submitted to the administration (Gerboa, 2005:32)

3- The adequacy of the report of the Comptroller: The announcement of the external Auditor is one of the means of communication between the user of financial information and the external Auditor. The report of the external Auditor in various countries of the world has witnessed many developments, and the news has been very closely related to the development of audit objectives ( Al-Dinibat, 2009: 230).

4- Compliance with accounting standards, auditing and legislation in force: Many professional organizations have adopted the issuance of measures regulating the audit profession to strengthen the trust of the job, and imposed on all practitioners to abide by it and not to grant leave to auditors to practice this profession until it is confirmed that they are familiar with the local audit and international audit standards issued by the Board of Accounting and Regulatory Standards, and quality control is closely linked to the audit criteria. Therefore, the procedures that the audit office works with to help it consistently implement auditing standards in each audit. (Al-Quraishi, 2011: 252).

### **2.3 Factors related to economic unity and affecting the performance of the external Auditor**

1- The size of the unit under scrutiny and its financial position: The size of the group is one of the factors influencing the identification of the necessary inputs to carry out the audit process, through its impact on the amount of experience, time and effort required by the Auditor to accomplish a currency, thus demonstrating the quality of professional performance, as the Auditor may face pressure from the department of the unit to reach what that department wants, and we note that the expansion of the economic group and the complexity of its operations requires increasing the need for high-quality audit services, to try to reassure Creditors and owners that the financial statements show the reality of the sound financial position of the economic unit, (Mohamed Hassan, 2008:86)

2- The adequacy of the internal control system: The existence of a sound internal control system increases the confidence of the auditors that the records and the books of the unit subject to audit are reliable. The understanding of the internal control system is one of the factors affecting the acceptance of the economic group as a customer of the auditors, there is a general rule on this matter, the more efficient the internal control system is the less analytical and detailed tests carried out by the Auditor, and contributes to determining the fees



of audit, and the effectiveness of the internal control system is a decisive factor on the performance of the Auditor through the effectiveness of the Internal Audit Department in detecting irregularities and fundamental errors in the financial statements, and assisting the auditors in determining the scope and timing of the audit procedures (AHDL, 2008: 37).

3- The integrity and efficiency of the management of the economic unit: the compliance with the standards of financial reporting by the department of the commercial group contributes to the credibility of the financial statements, and the integrity and honesty of the management is one of the principles that need to be adhered to through specific patterns of conduct in honesty and integrity such as Sound financial reports of material errors and the position of the unit's acute management by following the observations of the auditors and addressing the possibility that the performance of the audit process will be affected (Mohamed Hassan, 2008: 87)

4- The efficiency and effectiveness of the audit committee: The audit committee is defined as: a committee consisting of competent non-executive directors of three to five, the most important of its work: its evaluation of the internal control system and accounting and auditing of the financial reports of the economic unit, discussion of audit results with auditors and internal Auditor, preparation of recommendations for determining the fees of the Auditor, and the experience of the members of the Audit Committee in the field of financial management and accounting is positively linked to the performance of the Auditor through the organization of the relationship between the controller and the department of the unit, and the preparation of recommendations for determining the accounting supervisor's fees, and the experience of the members of the Audit Committee in the field of financial management and accounting is positively linked to the performance of the auditor-general through the organization of the relationship between the controller and the department of the unit, and the preparation of recommendations for determining the accounting controller's fees, and the experience of the members of the Audit Committee in the field of financial management and accounting is positively linked to the performance of the auditors through the organization of the relationship between the controller and the department of the unit, which enhances the role of the Auditor, 20,200,000 : 77)

#### **2.4 The importance of the efficiency and effectiveness of the external Auditor's internal control system**

**2.4.1** The relationship between external audit and internal control system: The relationship between external audit and internal audit is closely related where the Auditor relies on the procedures taken by the internal Auditor because of the similarity of the work they do, and when the Auditor examines and evaluates the internal control system through the use of the means of doing so decides to rely on the internal control system or does not depend on when building on the internal control system, the external Auditor reduces the Number of employees working with him by checking as well as reducing the

Number of samples chosen by him. The amount of time he needs to complete his work. (The Plate and others, 2004: 212)

**2.4.2** The external Auditor's responsibility for internal control: The external Auditor should take care of the interior control elements of asset protection and the application of laws and regulations that affect the fairness of financial statements, and have a fundamental responsibility to detect the fraud of management and employees. The 1972 Field Work Standards of the American Institute of Accountants (Standard II) also stipulated that "an adequate understanding of internal control must be obtained to plan oversight and determine the nature, timing, and extent of the choices to be made." (Arens and Lubak, 2002: 41). As for the internal control system, the comptroller is responsible for evaluating and examining the internal control system and its standards used to maintain the economic unit's access to manipulation, embezzlement, and misuse, and this is an essential objective of the Auditor (Abdullah, 2004: 237-238).

**2.4.3** The impact of the internal control relationship with the external Auditor in reducing audit costs: the relationship between internal control and the Auditor contributes to the reduction of external audit costs as follows:

1. Internal audit is part of the internal control system so the Auditor should understand the work of the internal Auditor (Colbert, 147;2002) so that his work is complementary to the work of the Auditor and not a substitute for him (Abu Sa'a, 2010: 97), and the internal Auditor's contribution to the audit of financial statements reduces the Auditor's working hours when auditing those financial statements is mostly limited in lowering audit costs.

(Felix, et.al.,2001 ; 513)

2. The existence of cooperation between internal control and the Auditor in enhancing the effectiveness and efficiency of auditing, i.e., the lack of coordination between internal control and the Auditor, leads to a repetition of the work performed by the internal Auditor and thus increases the effort and fees of the Auditor. Fowzia, 2010 ; 28))

3. Reducing the time the Auditor takes to perform the audit function is a value-added by internal control of the economic unit by contributing to the reduction of wages paid to the Auditor, thereby encouraging coordination and cooperation between the two parties. (Mihret, 2011; 68)

## **2.5 Internal control components following updated COSO and Auditor's performance**

### **2.5.1 Control environment**

The control environment represents procedures and policies that reflect the attitudes of managers and senior management in economic units and (Arens&Lobbecke,2000;292) that the essence of the effectiveness of unit control is in the directions of its departments, and that if senior departments believe in the importance of oversight, this will be reflected in the perception of workers and their response within the economic unit. In assessing the control environment, the external Auditor must understand how management has maintained and stimulated culture such as ethical and honest conduct and how

it has developed regulatory elements that detect manipulation, fraud, and errors and prevent it from occurring within the economic unit. (Collection, 2009: 197).

To assess the control environment within the economic unit of the external Auditor, taking into account the principles of the control environment as follows:

**1- Commitment to integrity and moral values:** Define ethical behavior as a set of internal and external actions and expressions that the person seeks to achieve the process of compatibility and adaptation between the requirements of the social framework that deals with him (Arab Association of Chartered Accountants, 2001: 20), so the administration should establish the regulation of standards and ethical behavior and work to inform all levels of the unit, and on the other hand obtain periodic written declarations by employees explaining their commitment to the policies and standards of conduct of that unit. (Guidance guide to internal audit units in the Republic of Iraq, 2019: 11)

**2- The independence of the Board of Directors from the executive management and supervision of the internal control system:** The members of the Board of Directors must be characterized by experience, knowledge and technical and administrative skill to be able to provide advice and supervision of the internal control system and audit the work of management and the ability to represent shareholders, and most members of the board should be independent or from outside the administration. (Al-Azmi, 2012: 35) .

**3- The establishment of the organizational structure, authority, and responsibility:** The organizational structure provides the overall framework for guidance, planning, and control of the operations of the economic unit, by identifying the channels of communication and the relationship between the sub-departments and describing the responsibilities and powers of each of them, so this is a criterion used by the external Auditor to assess the control environment, and giving many duties to a small number of employees provides a climate of manipulation and fraud. Since the external controller cannot observe all the processes and the efficiency of the organizational structure make him more confident in the procedures as they should be recorded, the effectiveness of the methods and the ability of the organizational structure make him more confident in the processes as they should be recorded. To be. (Al-Jajawi, 2006: 8)

**4- Commitment to efficiency and staff development:** The efficiency of employees within the economic unit is one of the crucial elements affecting the effectiveness of preventive control, these employees work to use and trade the assets of the commercial group, so their incompetence is a reason for not using the optimal use of these assets, leading to the failure to achieve its objectives and policies (Sultan, 2018: 34)

**5- Strengthening the accountability of individuals for their responsibilities within the internal control system:** the identification of duties and the granting of powers is essential to the economic unit in which there are a large number of employees, so each employee is held accountable for the performance of the tasks and tasks assigned to him, and promotes the clear identification of responsibilities and powers of taking care of the working



persons for the production of their work on the one hand, and on the other hand increasing the effectiveness of the administration to control the various tasks and functions within the economic unit. (Husseini, 2016:33)

### 2.5.2 Risk Assessment

It is to identify the objectives of the unit and identify and analyze those risks related to achieving those objectives, identify the possibility of their occurrence and try to reduce the severity of their effects within acceptable levels. Any economic unit, when engaging in its activity, faces many risks, so consider the following.

1- Setting targets for the ability to assess risks: Setting the objectives of the economic unit is one of the initial steps for risk assessment, so these objectives are as criteria used to evaluate the performance of the administration, as well as the management develops the necessary plans to achieve the goals and with constant reports at all levels of management alerting that there is any risk to achieve those goals (Saraya and others, 2013:27)

2- Identifying the risks that hinder the achievement of the goals: Identifying risks is essential not only to know the aspects to which risk assessment resources should be allocated, but also to determine the responsibility for managing those risks, and the importance of risk assessment depends on the identification of risk by comparing it with the main objectives of the economic unit. (INTOSAI, 2005;17) It is the responsibility of the external Auditor to work on risk assessment to determine the amount of evidence he needs in the audit. The external Auditor obtains management risk assessment information by identifying those risks associated with the preparation and potential of financial reports and by identifying ways to address them. This is known to the comptroller through (investigation) and dialogue with the unit's management. (Dahdouh, Judge, 2012: 286)

3- Assessing potential fraud risks: The risk assessment of the possible control if the external Auditor's conclusions or report are inappropriate, to reduce those risks and to anticipate potential risks or have been identified and to develop procedures to address these risks and their consequences during control and documentation of the risks being discussed, the external Auditor should assess the scope of the work carried out, if sufficient or otherwise. As well as control evidence, it is appropriate and adequate when assessing risks (Guide to the Application of International Standards for Financial Control and Accounting Bodies, 2018: 21).

4- Identifying and analyzing changes and their significant impact on the internal control system: To assess the risks of control, the external Auditor is required to evaluate the effectiveness of the procedures and policies of the control structure by detecting and preventing material errors in the financial statements and working to correct them. Evaluate the risks of oversight at the highest level. At the same time, if the results of the evaluation, can not rely on internal control, the external Auditor should ignore the internal control system and rely on detailed scrutiny entirely. (Al-Jajawi, 2006: 10)

### 2.5.3 Regulatory activities

It represents a set of procedures and policies that help implement the unit management directives to reach the planned objectives (Pickett,2010;261), as well as those procedures and policies related to the four components of the internal control system, provides appropriate confirmation to carry out the necessary actions to know the dangers during the achievement of the objectives of the economic unit. There are many supervisory activities present in the commercial units of the external Auditor.

1. Selection and development of regulatory activities that contribute to reducing risk: to prevent intentional and unintentional distortion, the need to properly separate the duties of the external Auditor and as follows: (Arens and others, 2013: 479-480)

- Separating the licensing of financial operations from the acquisition of associated assets.
- Separation of asset stake and accounting for assets, to protect the unit's assets from theft and embezzlement.

2. Selection and development of general control activities on information technology: Regulatory actions represent procedures and policies on separate application programs such as (inventory, grants, and loans) (Coso, 2004: 67).

3. Clarifying the regulatory activities within the policies and procedures that have been developed: represents policies and procedures that give assurances that the management directives and systems have been implemented. (Abdullah, 2010: 36)3- Clarifying the regulatory activities within the policies and procedures that have been developed: represents policies and procedures that give assurances that the management directives and systems have been implemented. (Abdullah, 2010: 36)

### 2.5.4 Information and communication

Information and communications are these mechanisms, systems or methods, and unit records to identify the activities of the entities and their transactions, analysis, and registration, and to prepare reports on them, to maintain accountability in the relevant activities. Information systems produce stories that include financial and operational information and compliance information. (Guide to the application of international standards for higher financial control and accounting bodies, 2018: 68)

1- The use of relevant information and be appropriate and quality to support the internal control system: the employees take seriously the internal control system, and the need to understand what their roles are within the internal control system, and the association of their activities with the work of others. The internal control system is also ineffective in the absence of a system that provides adequate and appropriate information to the persons concerned in the economic unit, and the connection to the internal control system determines the critical information and delivers it to the right person and promptly (Ajami, 2013: 14) Communication is the delivery of knowledge from senior management to management and personnel working to understand their role in risk management (Shenker & walker, 2011:20)

2- The distribution of information internally, including objectives and responsibilities: it includes the birth of the information needed at all levels of the economic unit to distinguish between events and assessing and addressing the dangers and thus achieve the objectives. The data is often linked to all goals or one of the purposes, and financial information is required not only for the numbers of financial statements but also for decision-making such as performance monitoring, planning, budgeting, evaluation of the unit's work and measurement of management activities (Coso, 2004;71).

3- Communicating information externally with the clarification of the dissemination of regulatory activities within the policies and procedures that have been developed: knowledge is the basis of communication, so it is necessary to communicate at all levels of the unit and the flow of data from the highest organizational structure to the lowest level within the group and vice versa, as well as the need to have active contacts with external parties. There are several communication tools such as memos, reports, emails, notes on the bulletin board, and meetings, broadcast via the media. (Raji, 2012: 60), the practical benefit of using information and communication systems is reflected in the performance of the Auditor as follows: (Messier,2008;207)

- a. Properly record operations.
- b. Completion of procedures in fine detail and on time to prepare financial reports.
- c. Proof of operations' monetary value in financial statements.
- d. Registration of activities in the prescribed accounting period.
- e. Developing and displaying processes and disclosing them appropriately in financial statements.

#### 2.5.5 Monitoring (follow-up)

It is intended to monitor the internal control system for performance efficiency assessment, continuous follow-up and periodic evaluation of all components of the internal control system.

1. **Conduct ongoing or separate assessments:** constant monitoring and regular assessment of the various parts of internal control, determining whether they are working as required and determining the need for modernization to keep pace with the circumstances and avoid the possibility of the statute of internal control. Over time, control procedures may become obsolete due to information for evaluation and updating from sources such as internal auditor reports, feedback from people's work, debtor complaints as well as observations by the External Auditor.

2. **Assessing the shortcomings of the internal control system and taking corrective action:** As we note that the Internal Audit Department is an essential element in achieving the effectiveness of oversight, internal audit must be independent of the rest of the departments and direct its reports to the highest authority of the economic unit, and the efficiency of internal audit contributes to reducing the costs of an external review by providing direct assistance to the external Auditor. (Arens, et al., 2014; 301)

### 3. The use of internal control components under the updated Coso framework in the research sample and its impact on the performance of the external Auditor

#### 3.1 Analysis of questionnaire data and descriptive statistics

This study was distributed in part on the application aspect on a questionnaire designed for the purpose of testing the impact of the internal control system according to the updated Coso framework on the work of the comptroller in private Iraqi banks, and this form was distributed to the auditors working in companies and external audit offices in Iraq, and the questionnaire included (sixty-three) questions measuring a total of five dimensions: control environment, risk assessment Regulatory activities, information and communications, monitoring and follow-up, and the questionnaire was presented to a group of specialists (arbitrators) for a group of professors in various Iraqi universities to explore and extrapolate their opinions on the consistency and compatibility of the content of questions with the purpose to be achieved from the scale, and after verifying the validity of the scale was distributed to a sample of (100) individual auditors and auditors in order to explore their opinions on the impact of the internal control system in accordance with the components of Coso on the work of the auditors Eighty eligible questionnaires have been recovered and the results have been based on the results.

##### 3.1.1 Personality traits of study sample members

Table (1) Scientific Qualification:

| rate% | The Number of peoples | Details      |
|-------|-----------------------|--------------|
| %62   | 50                    | Bachelor     |
| %13   | 10                    | High Diploma |
| %20   | 16                    | Master       |
| %5    | 4                     | Doctor       |
| 100   | 80                    | Total        |

Table (2) years of service:

| rate% | The Number of peoples | Specialization    |
|-------|-----------------------|-------------------|
| %5    | 4                     | Less than a year. |
| %29   | 23                    | 10 – 1            |
| %32   | 26                    | 20 – 11           |
| %20   | 16                    | 30 – 21           |
| %14   | 11                    | 40 – 31           |
| 0     | 0                     | More than 40      |
| 100   | 80                    | Total             |

#### 3.2 Results of testing assumptions on the questionnaire (the effect of internal control on the performance of the Auditor)

To test the hypotheses related to this axis, the statistical analysis (one-sample T-test) is used. The idea of this test is to discover the extent of a moral difference of the average of the society from which the sample was withdrawn from a constant, in addition to the possibility of estimating the duration of confidence for the standard of the community, it is known that the variables to

be tested are the result of statistical analysis of the questionnaire data designed according to the 5-year-old Leckert scale and therefore the hypothetical average of grades of this scale will be used as a test value (Value Test) for analysis (T-test).

**The first primary hypothesis:** (there is an effect of internal control on the performance of the Auditor)

**Table (3) Results of the first main hypothesis test**

| One-Sample Statistics |                |        |                 |                 |   |        |
|-----------------------|----------------|--------|-----------------|-----------------|---|--------|
|                       | N              | Mean   | Std. Deviation  |                 | Std. Error Mean                           |        |
| T-Dim                 | 80             | 3.8948 | 0.60510         |                 | 0.06765                                   |        |
|                       | Test Value = 3 |        |                 |                 |   |        |
|                       | t              | Df     | Sig. (2-tailed) | Mean Difference | 95% Confidence Interval of the Difference |        |
|                       |                |        |                 |                 | Lower                                     | Upper  |
| T-Dim                 | 13.226         | 79     | .000            | 0.89477         | 0.7601                                    | 1.0294 |

The table above shows that the calculated T value was (13.226), which is significantly higher than its scheduled value at 79 (n-1) (1.99), and that the average standard deviation of the Grader error is Std. Error Mean reached 0.06765, which is a deficient value and the less this type of error, the better, the table also shows that the level of the moral of the Sig. (2-tailed) the test was very high and reached 0.0, which is lower than the level of error accepted in the social sciences and predetermined by 0.05, so the research hypothesis is accepted. That is, there is an effect of internal control on the performance of the Auditor.

**The first sub hypothesis:** (there is an effect of the control environment on the performance of the Auditor)

**Table (4) Results of the first sub hypothesis test**

| One-Sample Statistics |                |        |                 |                 |   |        |
|-----------------------|----------------|--------|-----------------|-----------------|---|--------|
|                       | N              | Mean   | Std. Deviation  |                 | Std. Error Mean                           |        |
| dim1                  | 80             | 3.9776 | 0.57860         |                 | 0.06469                                   |        |
|                       | Test Value = 3 |        |                 |                 |   |        |
|                       | T              | Df     | Sig. (2-tailed) | Mean Difference | 95% Confidence Interval of the Difference |        |
|                       |                |        |                 |                 | Lower                                     | Upper  |
| dim1                  | 15.113         | 79     | .000            | 0.97763         | 0.8489                                    | 1.1064 |

The table above shows that the calculated T value was 15.113, which is much higher than its scheduled value at 79 (n-1) of 1.99, The average standard deviation of the St. Error Mean grading error was 0.06469 which is a very low value and the less this type of error the better, the better, the table also shows that the level of the sample sig. (2-tailed) was very high and was 0.0, which is lower than the level of error accepted in social sciences and predetermined by 0.05, so the research hypothesis is accepted. That is, there is an impact on the performance of the Auditor.'

**Sub-hypothesis:** (there is an effect of risk assessment on the performance of the Auditor)



**Table (5) Results of the second sub hypothesis test**

| One-Sample Statistics |                |        |                 |                 |   |        |
|-----------------------|----------------|--------|-----------------|-----------------|---|--------|
|                       | N              | Mean   | Std. Deviation  |                 | Std. Error Mean                           |        |
| dim2                  | 80             | 3.8646 | 0.58105         |                 | 0.06496                                   |        |
|                       | Test Value = 3 |        |                 |                 |   |        |
|                       | T              | Df     | Sig. (2-tailed) | Mean Difference | 95% Confidence Interval of the Difference |        |
|                       |                |        |                 |                 | Lower                                     | Upper  |
| dim2                  | 13.309         | 79     | .000            | 0.86458         | 0.7353                                    | 0.9939 |

The table above shows that the calculated T value was 13.309, which is much higher than its scheduled value at 79 (n-1) of 1.99, The average standard deviation of the St. Error Mean grading error was 0.06496 which is a very low value and the less this type of error the better the table also shows that the level of the sample sig. (2-tailed) was very high and was 0.0, which is lower than the level of error accepted in social sciences and predetermined by 0.05, so the research hypothesis is accepted. That is, there is an impact on the performance of the Auditor.

**The third sub hypothesis (that there is an effect of regulatory activities on the performance of the Auditor):**

**Table (6) Results of the third sub hypothesis test**

| One-Sample Statistics |                |        |                 |                 |   |        |
|-----------------------|----------------|--------|-----------------|-----------------|---|--------|
|                       | N              | Mean   | Std. Deviation  |                 | Std. Error Mean                           |        |
| dim3                  | 80             | 3.8955 | 0.61812         |                 | 0.06911                                   |        |
|                       | Test Value = 3 |        |                 |                 |   |        |
|                       | T              | Df     | Sig. (2-tailed) | Mean Difference | 95% Confidence Interval of the Difference |        |
|                       |                |        |                 |                 | Lower                                     | Upper  |
| dim3                  | 12.957         | 79     | .000            | 0.89545         | 0.7579                                    | 1.0330 |

The table above shows that the calculated T value was 12.957, which is much higher than its scheduled value at 79 (n-1) of 1.99, The average standard deviation of the St. Error Mean grading error was 0.06911 which is a very low value and the less this type of error the better the table also shows that the level of the sample sig. (2-tailed) was very high and was 0.0, which is lower than the level of error accepted in social sciences and predetermined by 0.05, so the research hypothesis is accepted. That is, there is an impact on the performance of the Auditor.

**Sub-hypothesis 4 (that there is an impact of information and communication on the performance of the Auditor):**

**Table (7) Results of the fourth sub hypothesis test**

| One-Sample Statistics |                |        |                 |                 |   |        |
|-----------------------|----------------|--------|-----------------|-----------------|---|--------|
|                       | N              | Mean   | Std. Deviation  |                 | Std. Error Mean                           |        |
| dim4                  | 80             | 3.8346 | 0.73100         |                 | 0.08173                                   |        |
|                       | Test Value = 3 |        |                 |                 |   |        |
|                       | T              | Df     | Sig. (2-tailed) | Mean Difference | 95% Confidence Interval of the Difference |        |
|                       |                |        |                 |                 | Lower                                     | Upper  |
| dim4                  | 10.212         | 79     | .000            | 0.83462         | 0.6719                                    | 0.9973 |

The table above shows that the calculated T value was 10.212, which is much higher than its scheduled value at 79 (n-1) of 1.99, The average standard

deviation of the Grad error St. Error Mean was 0.08173 which is a deficient value and the less this type of error the better the table also shows that the level of the sample sig. (2-tailed) was very high and was 0.0, which is lower than the level of error accepted in social sciences and predetermined by 0.05, so the research hypothesis is accepted. That is, there is an impact of information and communication on the performance of the auditor.

**Sub-hypothesis: (there is an effect of monitoring and follow-up on the performance of the auditor)**

**Table (8) Results of the fifth sub hypothesis test**

| One-Sample Statistics |                |        |                 |                 |   |        |
|-----------------------|----------------|--------|-----------------|-----------------|---|--------|
|                       | N              | Mean   | Std. Deviation  | Std. Error Mean |   |        |
| dim5                  | 80             | 3.9016 | 0.75124         | 0.08399         |   |        |
|                       | Test Value = 3 |        |                 |                 |   |        |
|                       | T              | Df     | Sig. (2-tailed) | Mean Difference | 95% Confidence Interval of the Difference |        |
|                       |                |        |                 |                 | Lower                                     | Upper  |
| dim5                  | 10.734         | 79     | .000            | 0.90156         | 0.7344                                    | 1.0687 |

The table above shows that the calculated T value was 10.734, which is much higher than its scheduled value at 79 (n-1) of 1.99, The average standard deviation of the St. Error Mean grading error was 0.08399 which is a deficient value and the less this type of error the better, the better, the table also shows that the level of the sample sig. (2-tailed) was very high and was 0.0 which is lower than the level of error accepted in social sciences and predetermined by 0.05 so the research hypothesis is accepted That is, there is an effect of monitoring and follow-up on the performance of the auditor.

#### 4. Conclusions and Recommendations

##### 4.1 Conclusions:

1- The updated Coso framework for the internal control system consists of five components, each with a set of principles and each principle, there are a set of points that help in the evaluation of the internal control system.

2- The more the internal control system becomes coherent and robust, the more it will affect the performance of the auditor, as it leads to a reduction in the sample size, effort and time and leads to a reduction of the risks to the unit and the pursuit of its objectives.

3- The performance of the external auditor is affected by many variables during the stages of the implementation of the audit process, as some of these variables contribute to improving his performance, which contributes to the effectiveness of audit results, promotes the professional reputation of the offices of the auditors and increases the dependence of the parties benefiting from the financial statements on the performance of the auditor and the results of the audit process.

##### 4.2 Recommendations:

1- Asking the management of banks to build internal control systems following the components of the updated Coso framework, if any, must be activated and adhered to. The management takes full responsibility for the design and operation of these components.

2. The external auditor should evaluate and understand the internal control system to know the nature of the bank's activity and its regulatory policies because internal control is strongly linked to the objectives and procedures of auditing, and an essential indicator of the validity and integrity of the data on which the auditor is based.

3- The external auditor should hold meetings with the internal auditor of the bank periodically to discuss audit plans and coordinate efforts to prevent duplication of work and exchange of experiences.

4- Raising the regulatory awareness of all administrative levels, especially internal auditors, and introducing the importance of the components of the internal control system up to the Framework of Coso, and to see the new issues for them, which reflects positively on the level of internal control performance.

## 5. References

### 5.1 Arabic References:

#### 5.1.1. Official Documents and Reports:

1. International Federation of Accountants, Basic Principles of Audit and Publications, Amman, Arab Society of Chartered Accountants, 2001.
2. International Federation of Accountants, International Standards Issues for Auditing and Confirmation and Ethics Rules, 2004.
3. Guidance guide to internal audit units in the Republic of Iraq, 2019.
4. Guide to the application of international standards for higher financial control and accounting bodies, 2018.

#### 5.1.2. The Books:

1. Arns, Alvin, Alder, Randall, Paisley, Marks, Accounting Review and Assurance Services Integrated Entry, Arabization and Review of Mohammed Abdul Fattah Al-Ashmawy, Gharib Jabrgharib, Dar Al Mareekh Publishing Est, 1<sup>st</sup> Part, Saudi Arabia, 2013.
2. Arens, Alvin, And Lubeck, James, (2002), Integrated Entry Review, Translated by Mohammed Abdul Qadir Al-Disti, Review Ahmed Hamed Hajjaj, Dar Al Mareekh Publishing Est, Saudi Arabia
- 3- Al-Thanibat, Ali Abdul Qadir, Audit in the Light of International Standards - Theory and Application, Third Edition, al-Arz Est. Printing House, Oman, (2009)
- 4- Al-Sahan, Abdel Fattah Mohammed, Sawafiri, Fathi Rizk, Censorship and Internal Review, Alexandria, Al-Dar Al-Jamea'a, First Edition, 2004
- 5- Al-Quraishi, Iyad Rashid, External Audit Is A Theoretical lyande scientific approach, AL-Magrib Printing, and Publishing House, Baghdad, 2011.
- 6-Jumaa, Ahmed Helmy, Entrance to Modern Scrutiny and Confirmation, First Edition, Dar Safa For Printing, Publishing & Distribution, Amman, 2009.
- 7-Dahdouh, Hussein Ahmed, and Hussein Yousef al-Qadi, Advanced Audit Theoretical Framework and Practical Procedures, Part 1, Dar AL-Thaqafah for Publishing and Distribution ,2012.
- 8-Saraya, Mohammed Al Sayed, Shehata, Shehata El Sayed, Rashid, Mohammed Ibrahim, Dar Etalem Elgame for printing and publishing, Alexandria, Egypt, 2013.
- 9-Abdullah, Khaled Amin, Audit Science - Theoretically, Wael Publishing and Distribution House, Second Edition, Amman - Jordan, 2004.
- 10-Lotfi, Amin El Sayed, Responsibility and Procedures of the Auditors in the report on fraud and illegal accounting practices, Alexandria, AL-Dar AL-Jamieia, first edition, 2005.

#### 5.1.3 The thesis

- 1- Abu Sora, Abdul Salam Abdullah Saeed, Integration between Internal and External Review, Master Thesis in Commercial Sciences, University of Algeria, 2010.
- 2- Al-Ahdal, Abd al-Salam Suleiman Qassem,(2008), factors affecting the quality of external review in the Republic of Yemen, theoretical study - field, master's thesis, Faculty of Commerce, University of Asyut, Egypt.

3- Tamimi, Ahmed Qassim Mohammed, the impact of the continued work of the comptroller on the quality of the audit - applied research on a sample of companies listed on the Iraqi Stock Exchange, submitted to the Arab Institute of Chartered Accountants to obtain the certificate of legal accounting, Baghdad, 2017.

4- Hussein, Morteza Mohammed Chaney, employing internal control components to enhance the quality of external audit, - applied research in a sample of Private Iraqi Banks, Master's Thesis, Technical Administrative College, Middle Euphrates University, 2016.

5- Al-Khairou, Iman Muayyad, improving the effectiveness of the internal control system in accordance with the requirements of the COSO Committee, Master's Thesis, Faculty of Management and Economics / University of Baghdad, 2012.

6- Al-Azmi, Fayez Marzok Hamad, The Role of The Boards of Directors in applying the standards of internal control and its impact on achieving the objectives of Kuwaiti industrial companies, a master's letter to the Middle East University, 2012.

7- Ajami, Abdullah, Evaluation of Internal Control Systems and Its Impact on The Quality of Accounting Reporting Information, Master's Thesis, Middle East University, Kut, 2013.

8- Raji, Ali Abdul Hussein, The Role of External Audit in The Evaluation of Risk Management according to the Framework (Coso), Applied Research at The Bank of Baghdad (private equity company), submitted to the Council of the Higher Institute of Accounting and Financial Studies, University of Baghdad, 2012.

9- Sultan, Ethel Rafi, Development of internal control system under international standards - applied research at the Nineveh Provincial Office, research submitted to the Arab Institute of Chartered Accountants to obtain the Certificate of Legal Accounting, University of Baghdad, 2018.

10- Abdullah, Hussein Ashour Hassan, Evaluation of the Internal Control System in Government and Private Banks, Letter of Legal Accounting, Arab Institute of Chartered Accountants, Baghdad, 2010.

5- Mohammed Hassan, Bushra Abdul Wahab, Factors Influencing the Quality of Audit, A Proposed Model to Narrow the Expectation Gap Between Auditors and Investors in the Iraqi Stock Exchange, Doctoral Thesis, Faculty of Management and Economics, Baghdad University, 2008.

#### 5.1.4 Journals and periodicals

1- Al-Jajawi, Talal, Analysis of the Importance of Internal Control Elements of The Auditors - An Exploratory Study of a Sample of Auditors in Iraq", Arab Journal of Management, First Issue, Arab League, 2006.

2- Gerboa, Youssef Mahmoud, Determinants of financial audit is a great challenge for external references, an analytical study of the opinions of legal reviewers in Palestine, research submitted to the first scientific conference investment and financing in Palestine, Islamic University, Faculty of Commerce, 2005.

#### 5.2 Foreign References

##### 5.2.1 The Books

1. Arens, A Ivin A & Elder Randal J & Beasley Mark S, " Auditing and Assurance Services, An itegrated Approach " 15 thed, Pearson Education inc ., 2014

2. Arens, Alvin A .,&Loebbecke, James K., " Auditing : An integrated Approach, Prentice Hall international" 8th, INC., America, (2000).

3. Pickett, K ., and Spencer, H ., (2010 ), " The internal auditing handbook", 3ed, John Wily, USA.

##### 5.2.2 Periodicals & publications

1. Colbert, J..( 2002), " Corporate governance : Communications from internal and external auditors, Managerial Auditing Journal", Vol.(17), No(3), P147-152

2. Coso ( the committee of Sponsoring organizations of the tread way Commission ), "Enterprise Risk Management – Integrated Framework", September 2004 .

3. Felix, W., Gramling A., and Maletta, J., (2001), " the contribution of internal audit as a determinat of extrranl audit fees and factors influencing this contribution, journal of Accounting Research", vol(39), No (3), p31-53



4. Fowzia, R., (2010), " Co-operation between internal and External Auditors : A Comparative Study on Nationalized and Foreign Banks in Bangladesh, World journal of Management", Vol(2), No(2), P22-35
5. INTOSAL, " Guidelines For Internal Control Standards For the Public Sector", Austrian Court of Audit, VIENNA, AUSTRIA . 2005
6. Messier. Jr, Williamf& Steven Glover, M & Douglasf Prawitt, "Auditing & Assurance Services A Systematic Approach" Inc. Hi11, Ed5 th, 2008.
7. Mihret, D.,(2011), " of External Auditors on Internal Auditors on Internal Audit Work : A Corporate Governance Perspective, University of New England", Australia . international Business Research, No. (2), Vol (4), Canadian Center of Science and Education .
8. Shenkir, William G. & Walker, Paul L., " Enterprise Risk Management, Frameworks, Elements, and integration, institute of Management Accountants", 2011 .
- Zulkifflee M. Nava 2012 ." Internal Audit Attributes and External Audits` Reliance on Internal Audit , Implications for Audit Fees." International Journal OF Auditing 16 (3)