

Corporate Governance and the Role of Internal Auditing

Nahed habis Alrawashdeh

* Department, Institute Name

** Department, Institute Name, if any

I. OBJECTIVE OF THIS RESEARCH

This paper aims to clarify the foundations of corporate governance and the role of internal audit about it as one of the key elements.

II. RESEARCH PLAN

- be described in this paper to clarify the concept of internal audit, stating factors evolution and intellectual framework and functions terms of effectiveness and the role of the audit committee.
- as well as corporate governance, stating the concept and principles of relevance and responsibilities of the board of directors about it, as well as the terms of reference of internal audit-committees.
- The results and recommendations of the study.

III. DEVELOPMENT OF INTERNAL AUDIT

Internal audit is one of the branches of the internal control, and enjoys the respect and confidence of both management of the enter pries and government agencies for their thorough examination and objective assessment of the activities.

IV. THE FOLLOWING FACTORS HELPED TO DEVELOP

1 -The need for a means of detecting errors and fraud

Where you want the administration to make sure there are no errors or fraud in the operations and notebooks as you like in the case of and discovery early.

2- Emergence of enterprises with branches scattered geographically

Where summoned this send a representative mm in all policies the center to see that branches do their work in accordance with the policies set so accurately and the Secretariat of sufficient and was internal auditor time that the so-called internal auditor mobile, and was not his mission limited to the search for errors and fraud, but they include the following

A. Make sure that the foundations of sound settings with a proposal needed to be improved

B. Advising various branches

C. Ensure the safety of credit and collection operations end the movement of goods

D. Make sure there are no factors decrease profits

And so it became his duties to assure management that the policy applied in remote branches.

3- The need for regular payroll mathematically accurate and objective:

Where the expansion size of the facility appears a big gap between senior management and executive management was imperative for the administration to rely on the data, summaries and statistics in the management of the project and directed and featured here need management to internal auditor who has to see how a policy of senior management to know the staff implementing also achieved over health data and statistics provided to management.

D. Metwally Mohammed Jamal - Auditing - Faculty of Commerce -Cairo University 1964

4 - The emergence of banks and insurance companies:

This type of company has constant and continuous contact a third party which became requires not wait for the external auditor to verify the accuracy of calculations Here, there is a need to manage the internal audit review of operations first hand and on an ongoing basis.

The start of the rapid development of internal audit since 1940, and was founded in the United States of America an independent institute to teach internal audit.

Internal audit and spread in large and medium-sized enterprises while in small projects there is no need for the existence of an internal a.udit management because the entrepreneur is usually familiar with all its different aspects in his administration.

V. WHAT INTERNAL AUDIT AND NATURE

According to the definition of complex internal auditors issued in 1999, the internal audit is "Activity neutral objective consultant and reassuring aims to increase the value of the enterprise's operations and improve and help internal audit in achieving the goals established by style regular and disciplined to evaluate and improve the effectiveness of risk management procedures and controls and corporate governance."

It is clear from the definition that the internal audit services can be described as preventive services and construction management is preventive because it protects funds established and protects management plans against deviation and construction because they guarantee the accuracy of the data used by the Department in the policy guidance of the facility and they enter improvements to roads administrative and supervisory arrangements for pursuing the ongoing developments.

Internal audit is part of the internal control system as a whole it is not possible and a sound system of internal control without the presence of an internal audit system.

VI. INTELLECTUAL FRAMEWORK FOR INTERNAL AUDIT

Intellectual framework is intended that the integrated system of goals and policies to which they relate, which can lead to consistent standards and describes the integrated nature of the system and function and the limits of internal audit.

The importance of the existence of this conceptual framework to the need for standards governing the practice of internal auditing in order to be useful these standards and achieve their purpose must be built on a clear structure of objectives and principles.

The primary objective of internal audit to provide an assessment of the regulatory aspects of the organization which helps management in the performance of its functions, and considers the relative risk for the various activities is the main factor that affects the direction and the internal audit function.

It provides the relative independence of the internal audit for other jobs within the organization objectivity and impartiality.

D. Mohamed Samir SPI - internal control and audit - Faculty of Commerce - University of Damanhur 1996 And internal audit functions:

Can clarify the most important functions of internal .audit are as follows:

1 - evaluation of internal control systems and arithmetic, with the aim of

A. Ensure that the accounting system and internal control systems properly.

B. To ensure that these systems are best suited for the facility. C. Propose improvements to these systems first hand.

2- Assessment of plans and procedures:

Since the objective of this function is to detect weaknesses or deficiencies in the systems and procedures used by the company intended to propose amendments and improvements necessary not only examination to examine accounting systems or systems of internal control, but must give the internal auditor the authority to examine all aspects of the establishment activity.

3- Into account the commitment of the staff of the policies and procedures set:

Since the internal auditor monitors the implementation of policies and procedures and to clarify these policies for employees in case of objection.

4- Protect the funds established:

Since the development and implementation of systems for sound internal control to ensure the facility to protect assets and funds against what has committed staff of manipulation or fraud, and protect the funds established not only to detect fraud or followed but is also to avoid losses arising from neglect or abuse, such as loss of storage proper.

D. Mohamed Mohamed Mr. Butcher - Auditing -. Faculty of Commerce in Shams University, 1964

The protection also includes making the necessary insurance on assets of sufficient value to compensate for losses that may arise from incidents that are exposed and make dishonesty insurance to employees who trade assets in cash or cash equivalents.

5- Achieve health accounting and statistical data:

Where different administrative levels based on the data and accounting and statistical reports made to it to take the necessary

decisions to facilitate the work of established and drawing future policies.

The internal auditor is to achieve and satisfy these data and suitability for the purposes for which will be used where it is directed Created by management in the direction and the right way.

VII. OTHER FUNCTIONS OF INTERNAL AUDIT

Internal audit department can serve established in:

1- Detrain new employees or former employees transferred to jobs they do not learn where adequate training and that because of the internal audit department be fully aware of the systems and procedures for all the functions of the facility.

2 - The presence management for internal audit and its:

The presence of management of internal auditing and its duties required of them in the examination and investigation calls itself to do all the staff established their duties with precision and care, and also calls for the prevention of opportunities to commit fraud or reduced to a minimum for fear the rest of the staff to detect any tampering them.

3 - Internal Auditor helps outside observer which reassures observer to work safety and accuracy of the accounts established.

4- The internal auditor surveys or special research required by the department such as analysis of the various expenses balances.

5 - Contact customer periodically and ratification of their accounts and give their comments and checking accounts overdue and urged the Department to carry out their duties collection.

6- Examination of procurement methods and the receipt of the goods and ensure the implementation of the orders.

7- Examine ways of selling and sales and determine the policy and the cost of credit sales and tracking returns.

8- Monitor and study the operations of industrial plants and analysis of costs and accounts linked to the financial accounts.

From the above it is clear that the internal audit department is working for the benefit of management and are helped right as the way reassure management that every person does the work assigned to him within the limits of its powers, the commands given to him as the internal audit also coordination between different departments, and by virtue of its contacts with all department of the project.

Functions and responsibilities of the internal audit department

The internal audit staff of independent management at the facility called "internal audit department" and in order to do its job, consider the following: -

1- To operate the internal audit department in complete independence from the rest of the departments in the sense that it should not be affiliated to any facility management and functional independence is one of the pillars of strength and the source of their adequacy.

And often the internal audit department reporting directly to senior management and a way to ensure the application of the recommendations of the internal audit department quickly which strengthens its position in the facility.

2- The Department of Internal Audit based on the explicit powers and all departments are aware of their rights and powers applied in the review of all operations, books and records.

3- Internal audit is part of internal control and should therefore not be confused with the internal control made after the completion of internal processes and the internal control restrictions are automatically at the time of the operation, or recorded in the books.

4- The internal audit is not of their duties monitoring managers or departmental policies not give any orders.

5- Does not interfere with the internal audit department directly in staff and should be the relationship between the staff of the Internal Audit Department and the rest of the staff based cooperation for the purpose of access to the common goal of raising facility would.

6- To internal audit department work entrusted with employees should be professionally qualified and trained in accounting, auditing and management

Audit Committee:

There is a growing trend in many companies towards the establishment of the so-called audit committee consists of the Audit Committee of the Board of Directors of part-time in order to oversee the internal audit function which increases the independence of the internal audit department and the more the relationship between the audit committee and the internal audit department, the more likely availability independence and objectivity in the examination and report.

And all are supported policies, standards and procedures for internal audit by the Audit Committee.

1- D. Mustafa Issa Khudair - Audit (concepts, standards and procedures) -College of Administrative Sciences - King Saud University

2- D. Ismail Ibrahim Juma - internal control and audit - Faculty of Commerce - Alexandria University 1996

The Audit Committee engaged in managerial accountability for the management of internal audit with senior management and the adoption and the hiring and firing of supervisors to manage the internal audit and the adoption of this administration work schedules as well as staffing and budget plans expenditures and review the performance of the internal auditors to participate in the senior management.

VIII. THE CONCEPT OF CORPORATE GOVERNANCE

Corporate governance refers to the set of laws, rules and standards that define the relationship between the management of the company on the one hand owners and stakeholders on the other.

More specifically this concept offers the answers to several questions including: -

- How to ensure only harm investors use their money?
- How to make sure investors that the administration is seeking to maximize the profitability and value of the company's shares in the long term?
- How to enable investors to effective management control?

D. Samiha Fawzi - corporate governance and economic growth with the application on Egypt symposium Association of Accountants and Auditors on 04/07/2004 except accountant's role in governance

IX. THE PRINCIPLES OF CORPORATE GOVERNANCE

Describes the Organization for Economic Cooperation and Development (Oecd 1999) corporate governance principles are as follows: -

1-Equity:

As a recording and transfer of stock ownership and effective participation and voting in the General Assembly and the selection board and get a return in profits and get all the information about the company and board members transactions on a regular basis and in a timely manner.

2 - Equal treatment of shareholders :

And dealing with the equality of all shareholders within each category in the former view, and rights as well as to protect them from any acquisitions or merge dubious or trafficking in inside information.

3- The role of the parties with interests related to the company :

They bondholders and workers, banks, suppliers, customers and include respect for their rights and to provide legal mechanisms for their participation in the control of the company's activities.

4 - Disclosure and transparency:

And include full disclosure of information related to the financial statements and the company's performance and ownership structure according to the accounting and auditing standards applicable international or domestic.

5- Responsibilities of the Board of Directors:

Include determining the structure of the Board of Directors and its core functions and supervisory role on the executive management and protection of the rights of shareholders and stakeholders of equal treatment to them and ensure the application of laws and rules.

The importance of corporate governance for the national economy:

Helps the proper application of the principles of corporate governance to achieve high growth rates and are fair and sustainable because it leads to

- Deepen the money market and savings mobilization and higher rates of investment.
- Increase the ability of companies to obtain financing and then the possibility of increasing job opportunities and employment within the Arab community.
- Encourage the growth of the private sector and support its competitiveness.
- Protect the rights of the minority.
- Increase confidence in the national economy.

Responsibilities of the Board of Directors regarding corporate governance

The board of directors any facility to achieve the principles of governance including the following:

- provide an effective control environment.
- The number of effective internal control system.
- Active participation of non-executive members.
- Formation of the audit committee of non-executive members.
- refrain from transactions which marred by conflict of interest. The Audit Committee shall including the following.
- inspect and review of internal control procedures and ensure its effectiveness.
- Assessment of administrative procedures to ensure compliance with rules and laws.
- inspect and review of accounting policies used and the procedures to be followed in preparing the financial statements the estimated actual.
- Examination evaluation and follow-up work of the internal audit department.
- provide reports on their work and proposals and recommendations.

It is clear from the foregoing important and key role of internal audit in the field of corporate governance. Where it is an essential element in the work of the Audit Committee on the issue of board members is mainly responsible for the safety of the application of the principles of corporate governance.

Therefore you must understand the principles of internal auditors basic governance and their role towards ensure compliance and that appropriate rehabilitation scientifically and practically.

X. RESULTS AND RECOMMENDATIONS

It is clear from the Displayed importance of internal audit (internal audit) as a key element of the work of the audit committee within the various facilities, which in turn formed the basis of the board members is full-time and it should.

The following:

1- Definition members of the internal audit to the principles of corporate governance.

2- Insert review of the company's commitment to the principles of corporate governance within the internal audit programs.

3- Set artistic elements within the internal audit departments to ensure good functioning of the financially and technically.

4. Rehabilitation scientific and practical for members of internal audit departments including accommodate the foundations and principles of corporate governance policies and their intended developments.

5- The work of the various professional organizations to develop awareness of the importance of the principles of corporate governance and the importance of the role of internal audit on them.

REFERENCES

- [1] D - Mustafa Issa Khudair "Audit - concepts, standards and procedures," College of Administrative Sciences - King Saud University in 1997
- [2] D - Metwally Mohamed El Gamal - Faculty of Commerce Cairo University + d / Mohamed Mohamed Mr. Butcher - Faculty of Commerce in Shams University
- [3] "Auditing" 1964
- [4] D - Mohammed Samir Sabban - Faculty of Commerce' - University of Damanhur "Censorship and the Internal audit "Publisher University House-Year 1996
- [5] D - Ismail Ibrahim Juma k. T. Alascndah, d / Fathi Rizk accounting.teacher Sawafiri and audit
- [6] A seminar on the role of the accountant in governance - d. Samha Fawzi accountant magazine issued by the Association of Accountants and Auditors Number (22)-2004
- [7] A seminar on the role of the accountant in corporate governance:
- [8] Accountant magazine - issued by the Association of Accountants and Auditors - number (22) (2004)

AUTHORS

First Author – Nahed habis Alrawashdeh