

Strategy of internal audit function based on the IIA¹ under COSO² and COBIT³: A proposed framework

Assistant Prof. Dr. Fayhaa Abdullah Yaqoob
Postgraduate institute of accounting and financial studies
Baghdad University
Iraq-Baghdad
E-mail: fayhaa1959@yahoo.com
Tel: 009647711224404
Iraq

Abstract:

The research problem of this study is the obvious deficient of internal audit work within the Iraqi institutes and firms, and that deficient is the result of the absence of the sponsor organizations for this function and the absent of regulations and laws that identify the responsibilities and authorities and the scope of internal audit work as well as the type of management which is tending to focus on the financial and accounting matters only, so that its required to rebuild this internal audit work in line with the current developments in internal audit activities. In addition to that there is a lack of a framework that defines internal audit strategy. The aim of this research is to find an organizing method to rebuild the internal audit strategy and functions base on the international standards of internal auditors institutes, the study consider the framework of COSO and COBIT, and discussing the views of academics, professionals, accountants and auditors who are currently working in governmental and private sectors in Iraq, and developing a proposed framework of internal audit function based on these views viewed.

Keywords: Internal auditing, Strategy of internal audit function, internal auditor

Introduction:

When the internal auditing function had existed on 1940 the area of the auditing was very simple where it was shorting about checking the validity of the transactions and processes in term of the accounting aspect, and then the auditors submit their reports to the board of director, after that the auditing function has been developed in line with the huge developments that happened to the business world in the beginning of the nineties of the last century until to the current time, especially after the huge falling of the biggest American firms in 2001 the thing that made the American congers issued the law of Sarbanes-Oxley Act, so that the focus on the function of the internal audit become very high and the American association of internal auditors become more active to drag the tension to this job and in developing the standards and criteria of this job to help the firms to meet the organizational demands of the law in order to play their roles effectively. The board directors, stakeholders and the businessmen started to feel the need into soled internal auditing team or committee to protect and insure the stability of the organization. And to reach to the depended basses of building the strategy of the internal auditing function to be constant with the strategy of the economic unit and to determine the main tends to meet the needs and the demands of the higher management and the auditing committee and external auditing, all that will help to protect the capitals of the stockholders and meet the demands of business expanding with the developments of the economic units. The research has been divided into three parts, the first one is the methodology, second is the theoretical aspect, third is the applicable aspects, and finally is the results.

¹ IIA: Institute of Internal Auditors

² COSO: : The Committee of Sponsoring Organizations of the Treadway Commission

³ COBIT: Control Objectives For Information And Related Technologies

1. Part one: Methodology of research:

1.1 The research problem:

The huge development that happened to the organizations of business and the complications of the activities and transactions within them, as well as the existence of the information technology in all levels of activities, also to keep the level of quality information high and to support the business decisions, and reduce the risk of any manipulation or fraud activity, the higher management intended to find a true and correct policies to ensure the control of the events properly in continues way, the matter that reflected on the job of the internal auditing as it's the essential base for any organization. The function of internal auditing in Iraq is suffering from obvious fail especially there are no exist for any sponsors organizations for this work as well as there are no any local legalization or law to identify the authorities and the responsibilities of this job area, beside that the higher management are not focusing on internal audit work within the economic unites, but these administrations are focusing on the financial and accounting matters. The research problem represents as the following:

- 1- Failure with the developments of the outcomes of internal audit on the international level in term of the standards application and the rules of internal audit.
- 2- The absence of any legal or professional or structural framework to define the objectives, tasks and purposes of the internal auditing work.
- 3- The internal auditors don't have the enough knowledge and skills which enable them to give any confirmation in regard to the risk management of the organization with the secured information of the risk automatic system.

1.2 Research significance:

The function of the internal audit is one of the jobs that provides the support to the administration department and stockholders as well as to the external auditors where its demanding from the internal auditor to be prepared to audit all the business and to check their validity, as well as he must to give the right opinion and consultants about the advantages and importance of these businesses. The current development of the job required to rebuild the strategy of the internal auditing function and to meet the needs of all the parties by providing a subjective assurance with consultative services about all the activities within the organization.

1.3 Objectives of the research:

To reach to the dependent bases in building the functional strategy of the internal auditing job to be in line with the strategy of the economical unit, also to define the main tends according to the modern standards which issued by the internal auditors institute to meet the demands and needs of the higher administration and the auditing committee with the external auditing in term of giving a subjective assurance about the risk management according to the frame of COSO and the information technology risks according to the frame of COBIT to protect the capitals of the stockholders and meeting the needs of the business expanding and the developments of the economical units.

1.4 Research hypotheses:

Building the strategy of the internal auditing function according to the standards of the IIA will lead to meet the needs and demands of the beneficiary external and internal parties by providing a subjective assurance with consulting services about the assessment risk management according to the COBIT, COSO frames.

1.5 Sample of research:

All the views of the sample of Academic, members of the stockholders, board of director's, executive managers and internal auditors, external auditors, offices of auditing and the federal board of supreme audit have been viewed regarding the proposed framework of the internal auditing function, 120 questionnaire forms had been distributed, 105 forms been returned, 5 forms been excluded and 100 forms been adopted.

2. Part two: the modern internal audit according to the modern standards and laws:

In this part will discuss the following issues in order to meet the requirements of the research:

2-1 Defining the modern internal audit with the objectives.

2-2 The standards of the modern internal audit issued by IIA.

2-1 Defining the modern internal audit with the objectives:

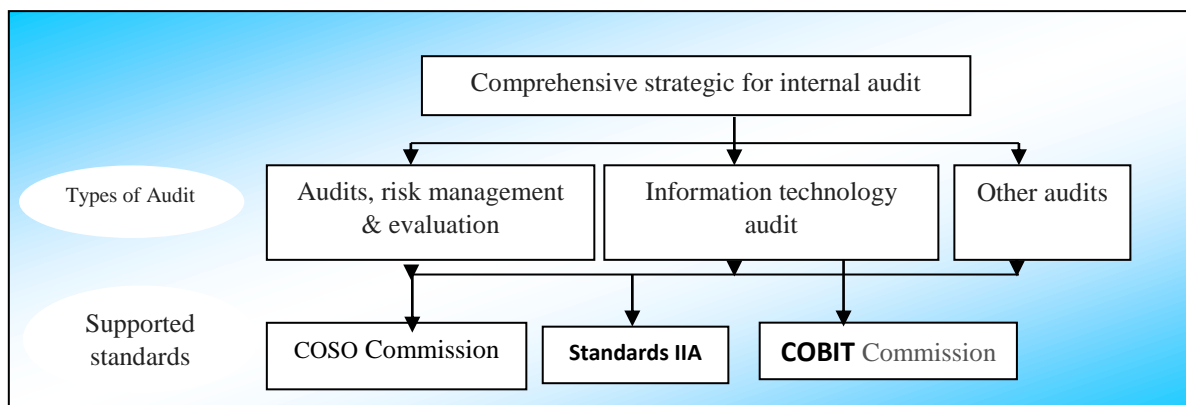
The committee that related to the (IIA) has developed a new definition to the internal audit as "its independent activity and subjective assurance with consultancy nature aims to add value to the organization and improve it processes, the internal audit helps the organization to achieve the objectives by structuring straight and regulate methodology to evaluate and improve the benefits of risk management, also to manage the controlling process" (IIA, 1999a). The modern role of the internal audit is to improve the risk management and auditing the information technology, also organizing the information technology as result to the definition of the modern institute of international auditors (IIA) ,all those who are concern about the internal audit in all over the world must to commit to restructure and rebuild the internal audit function in perfect way ,also must to focus on the supportive procedures with the basic business to help the firms to achieve their objectives where it supposed to include rebuilding the structure and state basic principles for the internal audit function where it represents as the following:

- 1- Rebuilding the basic vision for the internal audit function within the organization, where it will participate in building the strategy and adding a value to the organization by helping the management to achieve the goals.
- 2- Redesign the internal audit processes to be in line with the modern role.
- 3- Rebuild the internal audit department on the basis of the modern role. (Walker
- 4- Establishing charter for internal audit in the light of the modern role according to the COSO and COBIT frameworks.

Due to these developments the objectives of the internal audit have been evolved and now become as the following: As in Figure. 1

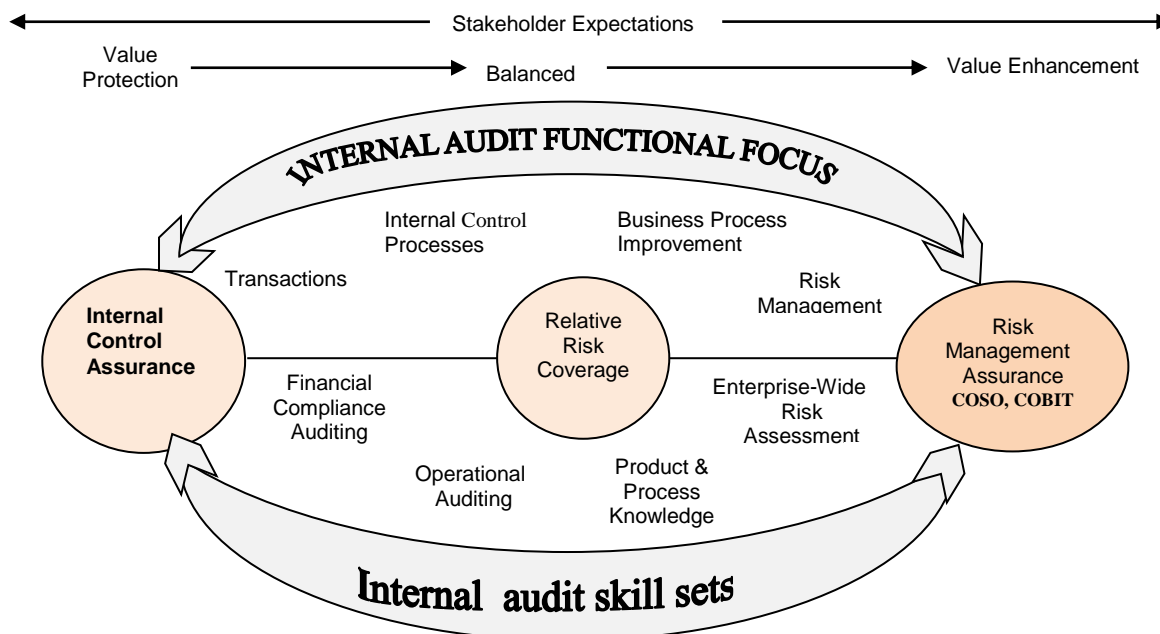
- 1- Increasing the value of the organization with improving the processes.
- 2- Evaluating and improving the activity of the risk management within the organization.
- 3- Improving and evaluating the activity of controlling within the organization.
- 4- Improving and evaluating the activity of the institutional control in the organization
- 5- Improving and evaluating the control regulations for the information technology environment.
- 6- Improving and evaluating the risks management of information technology.
- 7- Improve and evaluating the IT governance

To clarify the impact of the development that took place on the internal audit function, both (Ratliff & Reding, 2002) referred that the auditors in the twenty-one century should be prepared to audit anything ,including the ongoing operations and control systems (accounting, and administrative) and performance (strategic and operational) and information (public and private) and information systems (accounting, and administrative) as well as compliance to the laws and regulations, financial and fraud reports as well as to the reports of the quantum and descriptive nature that related to the environment, performance and quality, so that the (IIA) have issued an amendment standards, the researcher also mentioned that evaluating risks management and auditing the secured information Automat system is to improve and protect the value of the organization.



Source (Beumer, Hans, drs., Register accountant, Head of Internal Audit and Risk Management, Saurer Management AG; Winterthur/ZH, 2004.) Adapted from researcher

Figure 1. Types of internal audit to achieve a comprehensive strategy



Source: PricewaterhouseCoopers, **Building a Strategic Internal Audit Function**, 2003
Figure 2. The Internal Audit Continuum

The internal audit function has dual strategy roles are as follows: as in Figure .2

-The first role: protecting the stockholder value through the assurance activities that related to the structure of the company's risk control.

-The second role: improving and enhancing the stockholder value through the recommendations and improvements and advisory operations.

The internal audit mission represents by providing risk assessments for future work and provides solutions as well, where it works on adding a value to the risks management in the following areas:

- Checking the operations of the risks management, and the internal control within the company.
- Identifying the work risks and evaluating the internal control in order to reduce these risks in term of trust, integrity, protection, efficiency, effectiveness, activity.
- The culture of the company in relating to the base developments and uses (cost-efficiency) within the process of risk management and promote best applications through the role of internal audit as a variable, and as part of the internal audit methodology, the types of audits that can be accomplish by the internal audit function must be set by the charter or written bond and select suitable standards for that.

2.2 The standards of the modern internal audit issued by IIA:

The activities of the internal audit are usually done within cultural and legal environments within firms which varying in their objectives and organizational structures, and by individuals inside and outside the organization, that differences might effect on the practicing of the activities of the internal audit within the different environments, in spite of all that the commitment to the international standards consider an essential thing where the internal auditors can meet their work commitment, which internal audit standards (IIA) aim to achieve the following:

- 1- Identifying the basic principles that the internal auditing should practice according to them.
- 2- Establishing general framework to perform and enhance the activities of the internal auditing.
- 3- Establishing a base to evaluate the performance of the activities of the internal auditing.
- 4- Improve and enhance the organizational procedures within the organization.

The Institute of Internal Auditors (IIA) has established modern framework for the internal auditing to be constant with the aims and principles of the governing bases, that happened as results of adopting the governance principles by the majority of the firms, also to perform the internal audit function according to these changes there were some standards of the internal auditing have been issued on (2001) and been amended on December (2003) also been reissued on (01 December 2004), these standards have identified set of modern services that been performed by the internal auditing function represented by (the services of subjective assurance , consulting services) in two sets of standards: (IIA, 2004)

Attribute Standards: represented by the Attribute or the properties of the parties who are performing the activities of the internal auditing.

Performance standards: which describing the nature of the internal audit activities, also setting some measurements to evaluate these activities, the two sets included a secondary standards represented by the executive standards which applicable on some certain types of work.

After issuing the international internal audit on 2003, the tends moved to change the traditional role of internal audit where all the new activities have become with economic value in the same time new skills been added to the auditor which improved his performance in areas of assurance and consultancy, there is no doubt that all these attempts by the scientific associations and professional organizations that related to the internal audit jobs are leading to support this function to be in line with developments of the business environment.

3. Part three: the applicable aspect-The proposed framework for internal audit function: The main factors to build strategy of internal audit function:

The visions of sample of academics, stockholders, Board members, Executive Management members, internal auditors, external auditors, have been viewed, (100 questionnaires) about the strategy of the internal audit with putting in the consideration the COBIT and COSO frameworks and the standards of the IIA to meet the needs and amendments of the firms that comes as a result of the opening up to the global markets, also the enters of the foreigner investments to Iraq and the dependence on international accounting standards in preparing and presenting the financial statements, therefore it requires to restructure the internal audit function to keep in line with the current developments and advancement similar to what the happened in other countries.

The following questions directed to the sample about the need to re-build strategy to the internal audit function within the Iraqi economic units.

No	Items	Agree %	Neither%	Disagree%
1-	The current methodology of the internal audit function in Iraq is not meeting the needs of the work and not satisfying the stockholders	100	0	0
2-	the need to restructure the function of internal audit to be in line with the current developments	100	0	0
3-	the need to establish local standards to the internal audit	90	5	5
4-	the need to establish local standards to the internal audit, adopting international standards that been issued by the (IIA) in case there is no local standards.	95	5	0
5-	The need for a sponsor organizations for this profession	95	5	0
6-	the need to adopt guide regulate the function of internal audit	100	0	0
	The average of answered	96.67	2.50	0.83

The majority of the sample members have confirmed with rate reached to 100% that the internal auditing job in the current style which have been adopted in Iraq, is not meeting the needs and requirements of the work, also its not satisfying the steak-holders. The majority also insist on the necessity of restructuring the job of the internal auditing to be consistent with the current development, as well as insist on the necessity of adopting business guide to regulate the job of the internal auditing with adopting the international standards that been issued by (IIA), as well as giving the enough attention to this job because it playing important role within all the sectors of the government and the private sector, this job is really weak in Iraq in term of preparing the qualified cadres and adopting the local and international standards or providing the sponsor organizations. Due to the above results the researcher started establishing the proposed framework that clarify the steps of building the structure of the internal audit function, the visions of the sample members will be taken regarding the main points of building the strategy of the internal audit function, and to which extent it going to be consistent with the essential requirements of the organization, adopting the Price Water House Coopers,2003 in building the strategy of the internal audit function with making some changes that consistent with the Iraqi environments, also adopting the auditing standards that issued by IIA as well as adopting the COSO and COBIT frameworks in structuring the proposed structure.

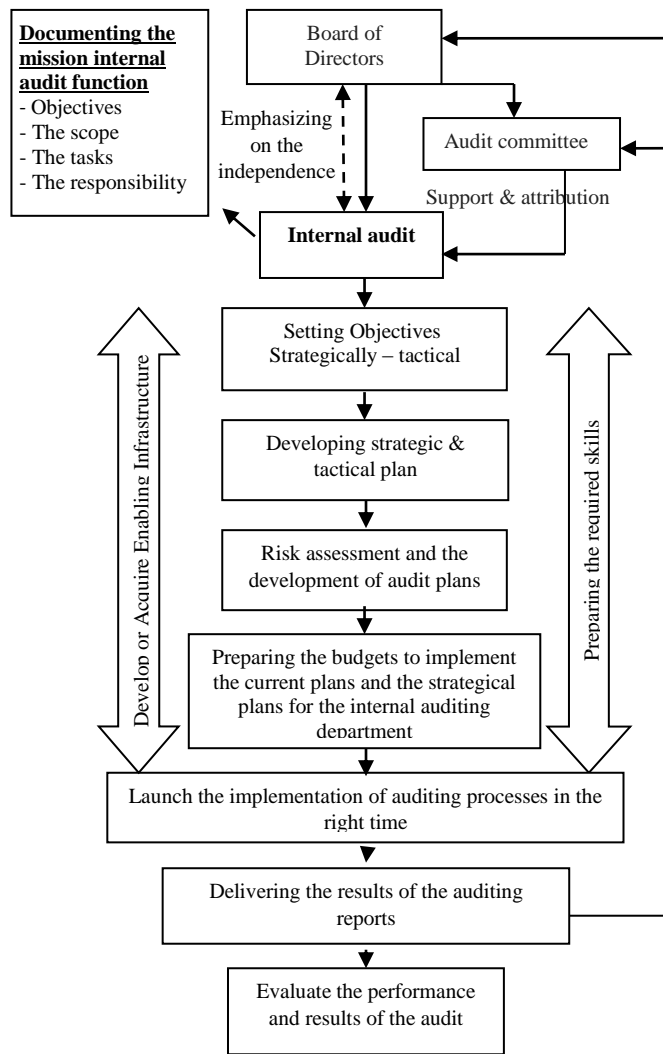


Figure (3) the steps of structuring the strategy of internal audit function

The steps of structuring the strategy of internal audit function the following steps are going to be adopted in structuring the strategy of internal audit function:

First: emphasizing on the independence of the internal audit: the independence factor is important for the effectiveness and quality of the internal audit, and according to the modern definition the internal audit is (independent activity from the executive management and related to the board of directors only throughout the audit committee that been established by the board, also its submitting the reports to the board of directors after discussing it with the auditing committee, the subjectivity should be presented within performing the missions and not to be tend to any party.

No.	Items	Agree %	Neither%	Disagree %
1-	The internal audit function is deriving the independence from the relation to the board of director.	100	0	0
2-	The auditing committee should be the authority that supervising the work and activity of the auditing with the Board of Directors.	95	5	0
3-	The approve of appointing and transferring the employees should be taken by the auditing committee	94	6	0
4-	The results of the internal audit function submit to the board of directors after discussing the results with the auditing committee.	95	5	0
5-	Informing the stockholders by the reports of the internal audit when necessary	85	10	5
	The average of answered	93.8	5.2	1.0

After checking the results of the sample members views, the results showed that the majority approving the independence of the internal auditor with average of 93.8 % throughout relating the internal audit function with the board of directors with rate of 100% , and the auditing committee should be the authority that supervising the work and activity of the auditing with the Board of Directors with rate of 95%k as well as the results of the internal audit function submit to the board of directors after discussing the results with the auditing committee.

Second: documenting the mission of the internal audit function where the director of the internal audit must work together with the board of directors to state by details the missions of internal audit function in formal chart to identify the objectives in order to provide the bases to evaluate the performance of internal audit, as well as to identify the authorities and responsibilities and reflecting the assigned missions by identifying the work area, with putting in the consideration the priorities and the requirements of the board and the auditing committee, that's in order to improve the value of the organization and protecting the rights of the stockholders via protecting the value and achieving the organization goals, in the light of the governance and according to the current chart, the auditing committee providing the support to the internal audit function regarding controlling the performance of the organization ,also recommending to appoint a responsible head to internal audit, as well as the internal audit system is responsible about stating the strategies according to the special standards and regulations to support the economic units.

No.	Items	Agree %	Neither %	Disagree%
	The board of directors and the auditing committees must to state a message for the internal audit to identify the following:			
1-	The nature and type of the relation between the auditing function and the board of directors and auditing committee	100	0	0
2-	Objectives	100	0	0
3-	The scope of work, the limitations of work	100	0	0
4-	The basic tasks (the main activities, assurance and consulting services).	100	0	0
5-	Responsibilities.	100	0	0
6-	Authorities (reviewing all the files and the electronic systems, making the contacts with all the employees, checking the deferent parts of the organizations)	100	0	0
7-	The job descriptions of the employees (certificates, experience, skills).	95	5	0
8-	The results of the auditing and the beneficiary parties	100	0	0
	The average of answered	99.38	0.62	00

The answers of the sample members showed that all the responses were agreed with average of 99.38%, points (1-6) and point 8 has rate of 100% because the message of internal audit play main and important role to develop the strategy of the internal audit, so that the message should be identified and approve it and identify the responsibilities of the internal auditor with the work area and the authorities, and working on developing them throughout the new developments within the economic unit, also identifying the main responsibilities of the internal audit compare to the consultancy activities, also focusing on the objectives of the internal audit function and to which level it consistent with the organization goals, as well as the area of job work is in line to achieving the organization goals no matter whether it were Strategic or tactical goals, and identifying the job descriptive to the workers and the required skills to achieve the objective of the auditing, the results of the audit and the beneficiary parties from the reports (the board of directors , the auditing committee, the executive management, the external auditor, and the stockholders if necessary).

Third: Setting objectives the internal audit function:

The Strategic and tactical objectives been identify for the internal audit function by providing the assurance services (the operations aims, objectives of commitments, objectives of the report) as well as giving guarantee to the board of directors about the strength and the solidity of the internal control (Administrational control, accounting control) and assess the risks management with the information technology risks, the objectives of the auditing must consistent with the tactical and Strategic objectives of the organization, as well as providing the consulting services about stating the policies and plans in the future to the board of directors, auditing committee, executive management of stockholders services and the investors, Shareholders.

No.	Items	Agree %	Neither%	Disagree%
1-	Identifying the tactical and Strategic objectives of the audit	100	0	0
2-	The objectives of the auditing must consistent with the tactical and Strategic objectives of the organization	100	0	0
3-	Providing assurance services about all the activities of the organization	100	0	0
4-	providing the consulting services about stating the policies and Strategic plans	100	0	0
5-	Developing and protecting the integrity and accountability culture	92	8	0
6-	Facilitating the introduction of the risk management to the daily events	95	5	0
7-	Spreading the self-evaluation culture and the commitment to the high ethical standards	96	4	0
8-	Maintain and protect the assets	95	5	0
9-	Assessing the information technology management to support the strategies and objectives of the organization	90	10	0
	The average of answered	96.4	3.6	00

From the table above its clear that the majority agreed with points of the objectives with average of 96.4%, the points (4-1) got rate of 100% because they have important role in consisting the objectives of the internal audit with the Strategic objectives of the organization by providing assurance and consulting services to protect and enhance the value of the stockholders and organization, as well as spreading the self-evaluation culture and the commitment to the high ethical standards got rate of 96% , Facilitating the introduction of the risk management to the daily events got rate of 95%.

Fourth: The scope of the internal audit function includes determining if the risks management and the control systems with the governance policy within the unit are effective and suitable to achieve the following:

No.	Items	Agree %	Neither%	Disagree %
1-	Achieving the objectives of the units with the plans and programs	100	0	0
2-	Ensuring the implementation of the unit procedures according to the legal requirements, political system, regulations and the decisions of the board of directors	100	0	0
3-	Protecting the interests and assets of the unit , also ensuring the proper usage, and not siphoned	100	0	0
4-	Verifying that the control systems of the unit are working properly according to the plans, also maintaining these systems and update them when necessary in order to face any changes within the	100	0	0

	operational situations			
5-	Verifying the resources of the unit and use it effectively	100	0	0
6-	Verifying the validity and correction of the operational and administrative and financial information.	100	0	0
7-	Providing suitable policy to evaluate the management risks	95	2	3
8-	Providing suitable policy to evaluate the risks of the information technology	95	4	1
9-	Communicating and coordinating with governance groups in proper way	85	10	5
10	Ensure that the unit's activities take into account the qualitative improvement and continuity development	96	2	2
11	Provide feedback to the executive management in order to improve the administrative control, profitability, and efficiency, and the value of economic unit	97	3	0
	The average of answered	97.1	1.9	1

The average of response regarding the area of the internal audit function was agreed with rate of 97.1%, the points (1-6) possessed rate of 100%, the internal audit can provide notes to the higher executive management in order to improve the administrative control, profitability, and efficiency, and the value of economic unit. The higher executive management is taking the responsibility of stating the policies and making the proper procedures as response to these notes.

Fifth: the Tasks of the internal audit function are working within effective and ethical framework to help the managements in protecting and improving the value of the organization by improving and enhancing the performance and the work process in order to accomplish the objective of the organization, as well as to provide the consulting services subjectively and independently, that to serve particularly the development processes of the organization, also it helps in achieving the aims throughout the methodology of the organization to evaluate and develop the effectiveness of the risks management, The investors and the other interested people are considering the internal auditing as an eye inside the organization to ensure providing the services and confirmations for the tasks in the right time.

No.	Items	Agree %	Neither %	Disagree %
	The tasks of internal audit function are focusing on protecting and improving the value of the organization by:			
1-	Evaluating and improving the activity of the risks management processes	90	10	0
2-	Submitting the control confirmation of the risks management	90	10	0
3-	Confirming the control on the information technology risks	85	10	5
4-	Evaluating the effectiveness and activity of the internal control	100	0	0
5-	Insuring the organizational and institutional commitment	100	0	0
6-	Protecting the assets	100	0	0
7-	Insuring the commitment to the ongoing laws	100	0	0
8-	Providing strategies and methods of controlling to protect from the fraud and cheat	100	0	0
9-	Confirming that the financial statements prepared according to the standards	100	0	0
10	The fast response to the events	80	15	5

11	Improving the releasing of risks and the organizational control	85	10	5
12	Work as consultant to address the complicated issues (policies and plans)	84	10	6
13	Providing the monitoring about developing the programs and the new operations and change the controls	90	5	5
14	Source of creativity and the development of management	70	25	5
15	Effective management of auditing fees through coordinating with the external auditor	50	30	20
	The average of answered	88.3	8.3	3.4

From the responses the average of the agreed responses was 88.3%, and there was agreement to the level of 8.3, the points (5-9) have possessed rate of 100% from the response of the sample answers requiring from internal audit evaluating the effectiveness and activity of the internal control, and insuring the organizational and institutional commitment and protecting the assets, also providing strategies and methods of controlling to protect from the fraud and cheat by confirming that the financial statements prepared according to the standards, with confirming the control of the risks management and the risks of information technology, the fast response to the events as well as improving the releasing of risks and the organizational control by the organization in order to develop the management business and coordinating with the external auditor, also to insure that the internal auditor will evaluate the risks and provides the consulting services as well as add a value to the organization and insure protecting the interests of the investors inside the organization, on these bases the internal audit department will establish the Strategic and tactical plans that consistent with the plan of the organization.

Sixth: defining the responsibilities of the internal audit function: the responsibilities of the internal auditing system include the following:

No.	Items	Agree %	Neither %	Disagree %
1-	Defining the responsibilities depending on the scope of work and the assigned tasks to achieve the objectives.	100	0	0
2-	Preparing annual flexible plan by using a suitable methodology base on the risks and submitting it to the auditing committee to check it, and approval.	100	0	0
3-	Giving the assistance in investigating the suspected activities within the economic unit, according to the request of the management, and submitting the results to the auditing committee	100	0	0
4-	Implementing any special tasks or projects requested by the executive director or auditing committee.	98	2	0
5-	Submitting the reports to the auditing committee about any breaches to the laws or regulations or the policy of the economic unit that might be observed by the internal audit staff, even if it wasn't in the auditing plan	100	0	0
6-	The communication and coordinating with the auditing committee	100	0	0
7-	Communication and coordinating with the external auditor	95	5	0
	The average of answered	99	1	0

Throughout the response on the points of identifying the responsibilities of the internal auditing function, it showed that the responses were consistence with rate of 99%, the points (1,2,3,5,6) were agreed with rate of 100 % where it must be defining the responsibilities depending on the scope of work and the assigned tasks

to achieve the objectives, also preparing annual flexible plan by using a suitable methodology based on the risks and submitting it to the auditing committee to check it and approval, as well as submitting the reports to the auditing committee about any breaches to the laws or regulations or the policy of the economic unit that might be observed by the internal audit staff, even if it wasn't in the auditing plan. Communication and coordinating with the auditing committee to implement any special tasks or project requested by the executive manager or the auditing committee.

Seventh: Developing strategic tactical plan: The strategic plan will help to develop and direct the job of the internal auditing, where the plan is more than assessment to the current risks but it identifies legally the value and the position of the new job as well as to the possibility of adding a value to the Stakeholder and the organization as well for the current time and in future, as well as summarizing the executive techniques to achieve the main targets in line with the responsibilities of the technician management. The plan discussed also identifying the financing and the human resource together simultaneously and strategically for three to five years, also stating the assumptions and the references that are necessary for the structure of the work where the plans have been discussed and assessed by the auditing committee. The plan also can discuss the expected cost and benefits resulted by the different uses to achieve the required results, as well as the integration and the improvement with the risks and the other controlling jobs such as the legal control, insurance, market, security and fraud, job of risks management, jobs of information technology management. The auditing department has the authority to have the assistance from external resources in order to have the required skills and efficiencies for the job in case that the abilities and potentials were not available to execute any task, also establishing an assessing program of controlling by processing the plans implementation and state a time table for each task. The strategic plan supposed to discuss the communications issues which they are essentially important for job success, the first and direct contact should be with the auditing committee and the executive management, in order to get the plan successful the predictions of the organization must be in the consideration in regarding to improve the principle of the internal auditing as well as the predictions in regard to the weak points within the internal control or the issues that have been identified by the internal auditing, so that the strategic plans should involve the standards that enable it to measure the future decisions and results, with reviewing the plan every year and put in the consideration the changes and approve them by all the stakeholders in the organization.

No.	Items	Agree %	Neither %	Disagree %
	The strategic plan of internal auditing:			
1-	Integrate the auditing plan with the plan of the organization	100	0	0
2-	Integrate the plan with the controlling systems (legal issues, guaranteeing the performance, risk management, information technology management) to monitor the risk.	100	0	0
3-	Enhancing the human and financial resources to develop the efficiency and skills of the auditors	98	2	0
4-	Developing control programs and evaluating them.	100	0	0
5-	Enhancing the communication with the board of directors, audit committee, external auditing and executive management.	90	6	4
6-	Comparing the plans with comparative plans.	70	20	10
7-	Outsourcing to provide the necessary skills and experience.	60	20	20
8-	Providing suitable standard for the purpose of evaluating the results and performance.	92	6	2
9-	The predictions of the organization in supporting the mission of the internal auditing.	70	20	10
	The tactical plan			
10-	Adjusting the plan according to the Strategic situation.	96	4	0

11-	Seeking to achieve secondary objectives.	95	3	2
12-	Identifying the scope of the work.	100	0	0
13-	Identifying the structure of the risks and evaluate them.	94	5	1
14-	Identifying the information technology and evaluate them.	87	10	3
15-	The preferences of using the auditing resources to employ them in maximizing the value.	85	10	5
16-	Stating time table for the implementation stages of the auditing programs.	88	10	2
	The average of answered	89.06	7.25	3.69

Through the answers above it become clear that all the opinions were consistent about the points of the tactical Strategic plan with an average of (89.06). the points (1,2,4,12) had rate of 100 % were integrate the auditing plan with the plan of the organization and integrate the plane with the controlling systems (legal issues, guarantying the performance, risk management, information technology management) to monitor the risks as well as developing control programs and evaluate them, Identifying the scope of the work and by enhancing the finance and human resources to develop the efficiency and the skills of the auditors, and adjusting the plan according to the Strategic situation and the structural risks and assess them.

Eighth: Risk assessment and the development of audit plans: one of the internal auditing difficult tasks is developing the methodology of the organization in order to analyze the risks. The risk is any events that preventing the organization from achieving the objectives, and to make an assessment to the risks the auditor should concern about how to deal with the events that impact on achieving the required targets, the risk assessment process starts by identifying the entity of auditing⁴ to contain all the operative process and units, the auditor must to understand the mission and the main objectives of the organization by making a conversation with the stakeholders, and stand on the inherent risks to achieve those objectives, the internal auditor must to be aware of different risks and the possibility of these risks to be happen and to which level they might impact on the job objectives through reviewing all the effects resulted by the possibility of main risks happening, also reporting the risks statement to the management and the auditing committee by using the risk map which showing the places of the high, low and average risks, this assessment consider an initial assessment of the risks where identifying accurately the risks of the processes as well as the activities that might cause the highest risks to the organization and accordingly stating auditing program in the first year of the auditing work within the firms where assess the effectiveness of internal control activities and base on that the evaluation of the initial risks will state into the level of the inherent risks within the internal auditing plan, the inherent plan includes “the external risks , the changes into the globalization, the economic national environment as well as the legal , political and technological developments. The inherent risks also involve the internal factors that requiring special attention including the changes within the operative system, also producing new products, entering to the new markets, the organizational and administrative changes and expanding in external processes.

The progress of the basic knowledge about the risk to enhance the effectiveness of the internal control and reviewing the effectiveness and the validity of the controlling and the importance of reducing the possibility of risks occurring. The basic of this knowledge is the reason of reclassifying the risks as well as developing the internal control knowledge and should be involve a periodical test for the main regulation even in the places where assumed that the controlling wouldn't be effective there in order to guaranty the continuous help to reduce he critical risks, so that the results of the risks evaluation process will enable to develop the internal auditing also developing an alternative plans to fix variety set of risks throughout the organization , the plan of the internal auditing will provide an effective method to classify the risks into levels high , average and low, and once the risks been evaluated the auditing manager should work together with the auditing committee and the higher management to identify the organizational priorities of the risks also assigning the required efficiencies and skills to fix the higher priorities of the risks as well as the needs of the

⁴ Entity of auditing: a group that includes all of the operations, programs, plans, and other units of the company related to the strategic plan and have a sufficient and necessary importance to accomplish the plan.

main stakeholders.

No.	Items	Agree %	Neither%	Disagree%
1.	Put an evaluation to the initial risks based on the internal control effectiveness evaluation into the level of the potential risks in the first place within the internal auditing plan.	100	0	0
2.	Developing an organized methodology to analyze the risks.	89	8	3
3.	The process of evaluating the risks starts by identifying an audit entity.	90	5	5
4.	The auditor has to understand the main commercial objectives of the organization by making a conversation with stakeholders and stands on the potential risks to achieve these objectives.	95	5	0
5.	Discussing the different types of risks and the possibility of happening them and their impact on the objectives of work as well as the effects of the probability of main risks happening.	93	6	1
6.	The results of risks evaluation process will enable to develop the internal auditing and put some alternative plans.	96	2	2
7.	The internal auditing plan will provide an effective method to classify the risks into high, average and low.	98	2	0
8.	Put audition program based on the highest level of process risks and activities.	100	0	0
9.	The auditing manager should to work together with the audition committee as well as the higher management to identify the organizational priorities of the risks also assigning the required efficiencies and skills to fix the higher priorities of the risks as well as the needs of the main stakeholders	100	0	0
10	The basic knowledge will develop the effectiveness of the internal control and evaluate it.	99	1	0
	Average answered	96	2.9	1.1

by observing the average of the sample responses on the points of risks assessment and developing the auditing plans were agreed with rate of 96% , while the points(1,8,9) get rate of 100% to put an evaluation to the initial risks based on the internal control effectiveness evaluation into the level of the potential risks in the first place within the internal auditing plan as well as put audition program based on the highest level of risks process and activities and analyzing the risks and assess them according to plan that classify the risks into high, average and low levels, also emphasizing on the auditing manager to work together with the audition committee as well as the higher management to identify the organizational priorities of the risks also assigning the required efficiencies and skills to fix the higher priorities of the risks as well as the needs of the main stakeholders.

Ninth: preparing the budgets to implement the current plans and the Strategic plans for the internal auditing department after finishing all the previous steps the information will be sufficient and available to start preparing the long term balances, the source of balances budgets structured on the basis of evaluating the risks rate, also its flexible enough to response to the changes and the business needs.

The budget should to prepare for three or five years, the approximately budget of the internal auditing must characteristic by flexibility in order to provide a consistent and high quality plan which able to response to the changes. So that the budget prepared to provide the enough finance to implement the internal auditing plan effectively, the special needs should be identified, and identifying the required resources and skills to support the essential of the internal auditing plan and the special needs.

No.	Items	Agree %	Neither %	Disagree%
	the budget of the internal auditing plan should be structured base on the following:			
1-	Assessing the risks rates.	88	10	2
2-	Implementing the current plans as well as the Strategic plans.	100	0	0
3	Providing the programs as well as the information technology.	85	10	5
4	Characteristic by flexibility in order to provide a consistent and high quality plan which able to response to the changes.	90	5	5
5	Identifying the special needs and identifying the required resources and skills to improve the internal auditing plan and the special needs.	90	8	2
6	The budget must to be prepared in order to make the internal auditing plan works effectively.	100	0	0
	The average of answered	92.17	5.5	2.33

Throughout the responses on the points or preparing the budgets to implement the current plans and the Strategic plans, the average of responses was consistent 92.17% points (2,6) to prepare the budget on base Implementing the current plans as well as the Strategic plans, and The budget must to be prepared in order to make the internal auditing plan works effectively, and the plans should to characteristic by flexibility in order to be able to response to the changes to improve the auditing plan.

Tenth: preparing the required skills: the internal auditing administration must to prepare a set of skills to meet the requirement of the tasks and to achieve the auditing and organization objectives as well as implementing the tactical and Strategic plans.

No.	Items	Agree %	Neither%	Disagree%
	the employees of the auditing department should characteristic by:			
1.	The critical and analytical thoughts skills.	100	0	0
2.	The ability on meeting all the specialized and tactical needs also understanding any auditing process related to a person or firm or system.	100	0	0
3.	The concepts and the principles of the new methodology of internal control	100	0	0
4.	The full concussions and understanding about the risks, chances and the threatens that relates to the clients and the auditors.	85	10	5
5.	The full concussions and understanding about the information technology and the ability of assessing the risks.	95	5	0
6.	Choosing, collecting, evaluating and documenting the auditing evidences (by using a perfect systems of auditing procedures).	100	0	0
7.	Use the auditing technology to prepare several kinds of auditing reports	87	10	3
8.	Using the statistical and non-statistical methods to reach to facts	80	10	10
9.	Understanding the business and the international business environment	100	0	0
10.	The communication with the executive managers in the executive department	100	0	0
11.	Developing the administrational talents within the organization	80	10	10
	The average of answered	93.36	4.09	2.55

The main and essential character of the successful internal auditors as well as the tactical preparing is representing by:) Moeller &Witt, 1999,P2).

Integrity and justice, humbleness, critical direction, make the sufficient efforts, full attention to the interests of the company, professional preparedness, personal consistence with job, careful in the audit process, working hard to accomplish the auditing work, self-confidence. The ability to judge the things that relate to his work. Courage in giving advice and opinion.

Throughout the responses on the points the average of responses was 93.36% consistent with the points of the preparedness the required skills to do the tactical Strategic auditing plan where the points (1,2,3,6,9,10) got percent of 100% by preparing the analytical critical executive skills, and the ability on meeting the special and tactical needs with understanding any auditing process whither its related to the individuals or the firm or the system as well as understanding the business and the business environment to prepare the budget in order to make the internal auditing plan works effectively, and the plans should to characteristic by flexibility in order to be able to response to the changes to improve the auditing plan with the communication with the executive managers in the executive department.

Eleventh: Develop or Acquire Enabling Infrastructure: (Methodology and Technologies) this step considers one of the most important steps of the internal auditing department because the availability of the sufficient necessary resources to build and develop the infrastructure that contribute to the achievement of the objectives of the audit and determine the potential risks therefore it must to take into account the following matters:

No.	Items	Agree %	Neither%	Disagree%
	develop the infrastructure must to take into account the following matters:			
1.	Strategies.	90	8	2
2.	Risk assessment methodologies	88	10	2
3.	Auditing plan	94	6	0
4.	Documentation	100	0	0
5.	Auditing procedures	100	0	0
6.	Choose the best practices	100	0	0
7.	Quality of auditing	98	2	0
8.	Monitoring and follow-up procedures	100	0	0
9.	Human Resource Management	98	2	0
10.	Information technology used in the organization and technology uses	95	3	2
	The average of answered	96.3	3.1	0.6

the average of responses of the infrastructure was 96.3% the points (4,5,6,8) got percent of 100% to put in the consideration the documentation processes and the auditing and choose the best practices as well as the monitoring and follow-up procedures also the human Resource Management and information technology used in the organization and technology uses where they got 98% and 95% in sequence.

Twelve: Launch the implementation of auditing processes in the right time after preparing the employees and the infrastructures in consistent with the tasks of the auditing where the tasks will implement according to the plans within the tactical plans and according to the priorities via studying the and evaluating the internal control and risk management, The risks of the information technology and highlighting the weak and strength points and the average of deviations also identifying the allowed rate of the risks according to the risks assessment, identify the problems and obstacles to make audit program for each task and scheduling the tasks and determining the number of auditors for each task and the required time of completion with the available resources as well as find ways to measure the results and deliver the reports to the board of directors after discuss it with the audit committees. To achieve good quality in performance it must to take into

account the following matters:

No.	Items	Agree %	Neither%	Disagree%
1.	chose the appropriate time to start the implementation, time should be determined by the Director of Audit	100	0	0
2.	identifying the implementation resource of each task according to the importance and the efforts	100	0	0
3.	Prepare the appropriate auditing cadre for each task due to the potentials and contributions	100	0	0
4.	Perform the audit tasks according to the tactical plans and work priorities	100	0	0
5.	Determine the allowed risk ratio to estimate the regulatory risk for each task according to their importance	100	0	0
6,	Studying and evaluating the internal control, risk management, and risk of information technology and diagnose the weaknesses and strengths points	99	1	0
	Preparing audit program for each task	98	2	0
8.	Identifying the starting and finishing time for each task with a number of auditors and identifying the tasks that assigned to them and the available resources for each auditing task.	100	0	0
9.	Identify procedural and analytical methods of the study and evaluation of internal control risk management, and risk of information technology and identifying the strengths and weaknesses points	94	6	0
	The average of answered	99	1	0

the average answers were 99% consistent with all the points, and won paragraphs (1-5, 8) the points (1,5,8) got percent of 100% of chose the appropriate time to start the implementation, time should be determined by the Director of Audit, and Prepare the appropriate auditing cadre for each task due to the potentials and contributions as well as identifying the implementation resource of each task according to the importance and the efforts, and perform the audit tasks according to the tactical plans and work priorities by identifying the allowed rate of the risks according to the risks assessment for each task according to the importance , and finally identifying the starting and finishing time for each task with a number of auditors and identifying the tasks that assigned to them and the available resources for each auditing task. The points (6,7,9) they got 99%, 98%, 94% in sequence.

Thirteenth: Delivering the results of the auditing reports: The process of identifying the beneficiaries of the audit results considered the most important steps that lead to reduce the communication gap between the administration and the Internal audit department, and to identify the beneficiaries of the audit process as well as to strengthen the effectiveness of the communication such as the reports and conclusions the contacts must to be fixed within the internal auditing charter .where the communications should be with :

No.	Items	Agree %	Neither%	Disagree%
	Activating communication with:			
1.	All the administrative and executive levels which are responsible of the auditing plan results	100	0	0
2.	The auditing committees and the effective communication in order to discuss all the terms of the results report	100	0	0
3.	The external auditor	100	90	0
4.	Stakeholder	90	5	5
5.	Create a policy to report about the auditing plan and the results	100	0	0
6,	The time of delivering the auditing reports	100	0	0
	The average of answered	98.33	0.83	0.83

The communication terms with the benefiting parties from the results of the internal auditor were consistent with the opinion of the sample members of the research with rate of 98.33%, the points (1,2,3,5,6) had perfect rate of agreeing reached to 100% in term of activating the communication with all the administrative and executive levels and the auditing committees and the external auditor as well as creating a policy to report about the auditing plan and the results and the time of delivering the auditing reports to the beneficiary parties in order to meet the needs of the Stakeholder.

Fourteen: evaluate the performance and results of the audit The results of the internal audit department job evaluate by the Board of Directors with the Audit Committees well as to the head of Audit Department to check whether the results were consistent with the objectives and plans, also standing on the weakness points and the troubles within the implementing process in order to avoid them and address them in the future, and use the power of performance with the performance evaluation instructions to measure the results of the auditing process and assess the performance level of that process.

No.	Items	Agree %	Neither%	Disagree%
	Evaluating the performance of the internal audit department, based on:			
1.	The advantage level of the board of directors from the submitted reports	100	0	0
2.	Confirmatory and advisory services provided by the in charge authorities	98	2	0
3.	The interaction and communication with the executive managers and executive department	90	5	5
4.	The full understanding and meeting the needs of the audit committee and Executive department	98	2	0
5.	The ability to adapt and respond to the risks	98	2	0
6.	The ability of adaptation to the changes and developments that might happen within the organization	94	6	0
	The auditing results evaluation should be base to:			
7	Achieving the objectives of the organization	95	5	0
8	Achieving the objective of auditing	100	0	0
9	Implementing the tactical Strategic plan with less mistakes	93	6	1
10	Protecting and enhancing the value of the organization	100	0	0
11	Responding to the expectations of the interests' holders.	90	10	0
12	The advantage extent of the external auditors	90	10	0
	The average of answered	94.67	5.17	0.17

Throughout the answers on the evaluation of the internal auditing job performance and the results it turned out that the majority of the sample members agreed with average rate of 94.67% in term of evaluating the internal auditing department by the advantage of the board of directors from the submitted reports with rate of 100% as well as the confirmatory and advisory services provided by the in charge authorities with rate of 98%. The interaction and communication with the executive managers and executive department 98%. The ability to adapt and respond to the risks 95%. The auditing results evaluation is done base on achieving the objective of auditing and protecting and enhancing the value of the organization 100%.

To calculate the average results for all points related to the structure of the points (1-14) according to the following table:

No.	Items	Agree %	Neither%	Disagree%
1.	emphasizing on the independence of the internal audit	93.8	5.2	1.0
2.	documenting the mission of the internal audit function	99.38	0.6	0
3.	Setting objectives the internal audit function	96.4	3.6	0
4.	The scope of the internal audit function	97.1	1.9	1
5.	the Tasks of the internal audit function	88.3	8.3	3.4
6.	defining the responsibilities of the internal audit function:	99	1	0
7	Developing strategic tactical plan	91.4	6	1.9
8	Risk assessment and the development of audit plans	96	2.9	1.1
9	preparing the balances budgets to implement the current plans and the Strategic plans for the internal auditing department	92.19	5.5	2.33
10	preparing the required skills	93.36	4.09	2.55
11	Develop or Acquire Enabling Infrastructure	96.3	3.1	0.6
12	implementation of auditing processes in the right time	99	1	0
13	Delivering the results of the auditing reports	98.33	0.83	0.83
14	evaluate the performance and results of the audit	94.67	5.17	0.17
	The average of answered	95.37	3.51	1.06

From the above we conclude that the sample members agreed with average rate of 95.37% and agreed with rate of 3.51% with all the suggested structural points, hence the adoption of such framework is regulating the audit function to meet the needs and objectives of the stakeholders, particularly interests of the Stakeholder and to protect their money and the money of the organization and meet the demands of the expansion of the business and the development in the economic units.

Results of the research:

- 1- The traditional method of the internal auditing job hasn't meet the requirements and the expectations of the stakeholders regarding protecting and improving the value of the organization by giving assurance.
- 2- Of internal controls and risk management and that what the research sample confirmed where the agreement rate reached to 100%.
- 3- Restructuring the internal auditing job become a necessary in order to consist with the Iraqi environment and to take part in providing the conformational and consular services to the board of directors and the executive management coordinating with the auditing committee and that's what the research sample confirmed where the agreement rate reached to 96%.
- 4- Creating strategy to the internal auditing job to be supportive to COSO and COBIT frames as well as to the standards of IIA where it works to add more value for the risk management environment by revising all the procedures of the risk management and identifying the business risks in order to reduce them, also to evaluate the internal control system and improve them.
- 5- The need to exist sponsor organizations for the job of the internal auditing, where these organizations will work to put the standards and regulations as well as setting a guide to regulate the profession work and insure the independence of this job to take its rightful role in protecting stakeholders of the organization.
- 6- Constructing the strategy of the internal auditing job base on the basis that insure implementing the tasks economically efficient.
- 7- The board of director and the auditing committee with the head of internal auditing should documenting the process of the internal auditing to reflex the aims by identifying the tasks and the extent of the works, authority and responsibilities.

- 8- Setting objectives to the internal auditing job that consist with the tactical and Strategic objectives of the organization, and to achieve all the objectives the tactical and Strategic objectives of the organization should be integrated with the plans of the organization.
- 9- Providing a set of skills to meet the requirements of the assigned tasks and achieve the auditing objectives as well as the objectives of the organization, also providing the enough knowledge about the information systems and the possibility of assessing risks, also providing the infrastructure to the internal audit department to work on implementing the audit plan.
- 10- Creating a protocol of communication to deliver the results of auditing to the parties that have the advantages from the internal auditing reports, those should be identify officially and should be represent by the council of administration and the auditing committee and the executive management and external audit, the Stakeholder also can review the internal auditor report.
- 11- The internal auditing performance should to evaluate by using the instruction of performance or the power of the balanced marks to identify the extent of the internal auditing commitment by implementing the plan for the questioning purposes in case of any failure happened.
- 12- The research sample have confirmed with a rate of 95.37% about the suggested Strategic structural points of the internal auditing job.

References:

- Beumer, Hans, drs., Register accountant, Head of Internal Audit and Risk Management, Saurer Management AG; Winterthur/ZH, 2004. http://www.saurer.com/file/2/ct_2701_ctDownload1.pdf
- IIA, International Standards for the Professional Practice of Internal Auditing, The latest additions and amendments to the Standards were issued in December 2003, and they will be effective January 1, 2004 . www.theiia.org
- IIA, The Institute of Internal Auditors, A Vision for the Future: Professional Practices Framework for Internal Auditing, (Altamonte Springs, FL: The Institute of Internal Auditors, 1999a. www.theiia.org/ecm/guidance.cfm?docid=123
- Moeller, R. and Witt Brink's, H. N., Modern Internal Auditing, 5th ED., John Wiley & Sons, Inc., New York, 1999 .
- Price water house Coopers, Building a Strategic Internal Audit Function, 2003, www.pwc.com/internalaudit.
- Ratliff, R. L. and Reding, K.F., Introduction to Auditing: Logic, Principles, and Techniques, The Institute of internal Auditors, Altamonte Springs, Florida,2002 . www.theiia.org.
- Walker, P.L., W.G. Shenkir, and T.L. Barton, Enterprise Risk Management: Pulling it All Together, Altamonte Springs, FL: The Institute of Internal Auditors Research Foundation, University of Pretoria etd-De Le Rosa, S, 2003, 2002 . www.theiia.org.