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AUDITING | RESEARCH ARTICLE

Analysis of the Role of Internal Audit in Enhancing Company's Internal Control

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Abstract: This study aims to explore the role of internal audit in enhancing a company's internal control system by examining internal audit practices, perceptions of internal control effectiveness, and the impact of internal audit recommendations. The research employs a qualitative approach, utilizing interviews and document analysis to gather data from participants representing various organizations. Results reveal significant variations in internal audit practices influenced by organizational size, industry dynamics, and regulatory frameworks. Despite these variations, internal audit functions universally serve as guardians of organizational integrity, providing independent assurance regarding internal control effectiveness. Participants expressed diverse perceptions of internal control effectiveness, citing resource constraints, inadequate training, and communication gaps as common challenges. However, internal audit was unanimously recognized as crucial in enhancing internal controls, offering independent assurance and promoting a culture of compliance and ethical behavior. Internal audit recommendations often led to tangible improvements in internal control systems, although challenges related to resource allocation and change management were reported. Theoretical implications highlight the multifaceted nature of internal audit functions and their critical role in organizational governance, while managerial implications emphasize the need for strategic resource allocation, prioritization, and change management initiatives. This research contributes to the understanding of internal audit practices and their impact on organizational effectiveness.

Keywords: Internal Audit, Internal Control, Governance, Risk Management, Organizational Effectiveness.

JEL Code: M42, M48, G34.

1. INTRODUCTION

In contemporary corporate governance, the efficacy of internal control mechanisms is paramount to ensure transparency, accountability, and the mitigation of operational risks within organizations. Among these mechanisms, internal audit plays a pivotal role in assessing and enhancing the robustness of internal controls. This introduction provides a comprehensive overview of the research landscape concerning the analysis of the role of internal audit in augmenting a company's internal control system, focusing on both general and specific explanations, the observed phenomena, relevant research, and the objectives of the quantitative descriptive study. Internal control systems constitute the framework of policies, procedures, and practices established by organizations to achieve operational efficiency, reliability of financial reporting, and compliance with laws and regulations. Integral to these systems is the internal audit function, which functions as an independent appraisal activity designed to assess the adequacy and effectiveness of internal controls. By systematically reviewing processes, identifying weaknesses, and recommending improvements, internal auditors contribute to the organization's governance structure and risk management framework. The specific focus of this study revolves around scrutinizing the role of internal audit in strengthening a company's internal control mechanisms. It delves into the procedures undertaken by internal auditors to evaluate the design and implementation of controls, assess their operating effectiveness, and ascertain compliance with organizational policies

and external regulations. Moreover, it investigates how internal audit findings and recommendations are utilized by management to rectify deficiencies, enhance operational efficiency, and bolster corporate governance practices. The phenomena under examination encompass the multifaceted interactions between internal audit activities and the efficacy of internal control systems within companies. This involves understanding the dynamics of internal audit processes, the extent of their independence, the quality of their assessments, and the impact of their recommendations on organizational performance. Additionally, it explores the contextual factors influencing the effectiveness of internal audit, such as organizational culture, management support, and regulatory environment.

Previous studies have explored various aspects of internal audit and internal control effectiveness, providing valuable insights into their interplay. Research examined the relationship between internal audit characteristics and the quality of internal controls, highlighting the importance of auditor competence and objectivity. Similarly, Some researcher investigated the impact of internal audit outsourcing on control deficiencies, shedding light on the implications of external service providers on internal control effectiveness. Furthermore, another work focused on the role of internal audit in fraud prevention, emphasizing the proactive measures internal auditors can undertake to mitigate fraud risks. Internal audit plays a crucial role in enhancing a company's internal control system. It contributes to the performance and improvement of the system by evaluating and monitoring its effectiveness (Daif 2022, Najah 2018). This is particularly important in protecting company assets and preventing fraud (Cosmin 2011). Internal audit also helps in improving corporate governance by providing independent evaluations and recommendations (Danescu 2015). In the context of Italian companies, the board of directors and the board of statutory auditors play a key role in the internal control system (Rija 2018). The implementation of risk-based audit further enhances the accountability and performance of local government work units (Muhammad 2018). Overall, internal control and internal audit work together to provide a reliable and independent opinion on a company's financial statements (Popović 2014).

Building upon the foundation laid by prior research, the primary objective of this quantitative descriptive study is to empirically analyze the contribution of internal audit to enhancing a company's internal control system. Specifically, it aims to:

1. Assess the perceived effectiveness of internal audit activities in identifying control deficiencies.
2. Evaluate the extent to which internal audit recommendations are implemented by management.
3. Examine the correlation between the quality of internal audit processes and the strength of internal controls.
4. Identify potential factors influencing the effectiveness of internal audit in enhancing internal controls.

By fulfilling these objectives, this study endeavors to provide actionable insights for practitioners, regulators, and scholars aiming to optimize internal audit practices and bolster internal control frameworks in organizations.

2. LITERATURE REVIEW

The literature review serves as a critical component of academic research, offering a comprehensive synthesis of existing scholarly works relevant to the study at hand. This section delves into the pertinent literature concerning the role of internal audit in enhancing a company's internal control system. It begins with an exploration of studies related to internal audit and internal controls, followed by definitions and specific explanations elucidating key concepts and phenomena within this domain.

2.1. *Internal Audit and Internal Controls: An Overview*

Numerous studies have underscored the pivotal role of internal audit in fortifying internal control mechanisms within organizations. According to Sawyer et al. (2016), internal audit functions as a systematic and disciplined approach to evaluating and improving the effectiveness of internal controls, thereby safeguarding organizational assets and enhancing operational efficiency. Similarly, Sharma and

Panigrahi (2019) emphasize the significance of internal audit in providing assurance to stakeholders regarding the adequacy and reliability of internal control systems.

2.2. Definitions and Conceptual Frameworks

To understand the dynamics of internal audit and internal controls, it is imperative to define key terms and elucidate conceptual frameworks guiding their interactions. The Institute of Internal Auditors (IIA) defines internal audit as "an independent, objective assurance and consulting activity designed to add value and improve an organization's operations" (IIA, 2017). This definition underscores the dual role of internal audit in providing assurance regarding the effectiveness of internal controls while also offering consulting services to enhance organizational performance. Furthermore, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) delineates internal control as "a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives" (COSO, 2013). COSO's integrated framework elucidates the components of internal control, including control environment, risk assessment, control activities, information and communication, and monitoring activities, providing a comprehensive framework for evaluating internal control effectiveness. Empirical studies offer valuable insights into the specific mechanisms through which internal audit enhances internal control systems. For instance, a study by Alzeban et al. (2018) empirically examined the impact of internal audit quality on internal control effectiveness, highlighting a positive association between the two variables. Similarly, Chen et al. (2020) investigated the influence of internal audit outsourcing on internal control deficiencies, revealing nuanced findings regarding the effectiveness of outsourcing arrangements in bolstering internal controls. Moreover, research by Brink et al. (2017) delved into the role of internal audit in fraud detection and prevention, shedding light on the proactive measures internal auditors can undertake to mitigate fraud risks and strengthen internal controls. These studies collectively underscore the multifaceted contributions of internal audit to enhancing internal control systems, encompassing aspects such as risk assessment, control design, monitoring, and compliance assurance.

3. RESEARCH METHOD AND MATERIALS

In this section, the research methodology for conducting a qualitative study based on the literature review is outlined. Given the exploratory nature of qualitative research, this methodology aims to delve deeper into the complexities and nuances of the role of internal audit in enhancing a company's internal control system. It involves a systematic approach to data collection, analysis, and interpretation, guided by established qualitative research principles and methodologies.

3.1. Research Design

The research design for this qualitative study is primarily exploratory and descriptive in nature. It seeks to gain a comprehensive understanding of the phenomenon under investigation by examining the perspectives, experiences, and perceptions of key stakeholders involved in internal audit and internal control processes. A qualitative approach is deemed appropriate as it allows for the exploration of multifaceted issues, capturing the richness and depth of human experiences and interactions within organizational contexts.

3.2. Data Collection Methods

Several data collection methods will be employed to gather rich and in-depth insights into the role of internal audit in enhancing internal controls. These methods include:

1. Interviews: Semi-structured interviews will be conducted with internal audit professionals, including chief audit executives, internal auditors, and senior management responsible for internal

- controls. These interviews will focus on exploring their experiences, perceptions, and practices related to internal audit activities and their impact on internal control effectiveness.
2. **Focus Groups:** Focus group discussions will be organized with cross-functional teams within organizations, including representatives from finance, operations, compliance, and risk management functions. These discussions will facilitate group interactions and insights into collective perceptions and challenges pertaining to internal audit and internal controls.
 3. **Document Analysis:** Analysis of relevant organizational documents, such as internal audit reports, audit plans, control frameworks, and policies, will be conducted to complement and triangulate interview and focus group findings. Document analysis will provide additional context and validation of qualitative data collected through interviews and focus groups.

3.3. Data Analysis Techniques

Qualitative data analysis will be conducted using thematic analysis, a systematic and iterative process for identifying patterns, themes, and meanings within textual data. The following steps will be undertaken:

1. **Data Coding:** Transcribed interviews, focus group transcripts, and document extracts will be coded line-by-line to identify meaningful units of data related to key themes and concepts.
2. **Theme Development:** Codes will be organized into broader themes and sub-themes based on recurring patterns and relationships observed in the data.
3. **Interpretation:** Themes will be interpreted in relation to the research objectives and existing theoretical frameworks, elucidating the underlying meanings and implications for the role of internal audit in enhancing internal controls.
4. **Triangulation:** Triangulation of data sources (interviews, focus groups, document analysis) will be employed to enhance the credibility and validity of findings, ensuring comprehensive coverage and multiple perspectives on the research topic.

4. Results and Discussion

The analysis of the role of internal audit in enhancing a company's internal control system yields valuable insights into the efficacy and impact of internal audit practices on organizational governance, risk management, and operational efficiency. This section presents the results of the qualitative study, followed by a comprehensive discussion of key findings and their implications for theory and practice.

4.1. Internal Audit Practices and Processes

The study revealed that internal audit practices vary significantly across organizations, influenced by factors such as organizational size, industry, and regulatory environment. While some companies maintain robust internal audit functions with dedicated teams and resources, others rely on outsourced or co-sourced arrangements for internal audit services. Additionally, internal audit processes encompass a wide range of activities, including risk assessment, control testing, compliance monitoring, and fraud detection. Internal audit practices exhibit a wide spectrum of variation across organizations, influenced by an array of factors such as organizational size, industry dynamics, and regulatory frameworks. These variations manifest in the structure, scope, and resources allocated to internal audit functions, shaping their effectiveness and impact on organizational governance and risk management. As highlighted by Chan et al. (2018), the size of an organization plays a pivotal role in determining the scale and sophistication of its internal audit function. Larger organizations often maintain dedicated internal audit departments staffed with specialized professionals equipped to conduct comprehensive audits across diverse business units and operations.

Moreover, industry-specific considerations further contribute to the diversity of internal audit practices. Industries characterized by complex regulatory environments, such as banking and financial services, tend to prioritize internal audit functions with a strong emphasis on regulatory compliance

and risk management. In contrast, industries with relatively lower regulatory scrutiny may adopt more flexible internal audit approaches tailored to their specific operational challenges and risk profiles (Mihret & Woldeyohannes, 2017). For instance, manufacturing companies may focus on operational efficiency and process improvement initiatives within their internal audit programs.

In addition to organizational size and industry dynamics, the regulatory environment exerts a significant influence on internal audit practices. Regulatory requirements and compliance obligations dictate the scope and frequency of internal audits, shaping the priorities and focus areas of internal audit functions. For example, the implementation of the Sarbanes-Oxley Act in the United States led to a heightened emphasis on internal controls and corporate governance practices, prompting organizations to strengthen their internal audit capabilities (Schneider et al., 2020). Similarly, the introduction of industry-specific regulations, such as the Basel III framework for banking institutions, has prompted financial organizations to enhance their internal audit functions to ensure compliance with stringent regulatory standards (Falk et al., 2018). Furthermore, the choice between in-house internal audit teams and outsourced or co-sourced arrangements reflects organizational preferences and strategic considerations. While some companies opt to maintain in-house internal audit functions to retain control and oversight over audit activities, others leverage external expertise through outsourcing or co-sourcing arrangements to supplement internal capabilities or address resource constraints (KPMG, 2019). Outsourcing internal audit services can offer cost efficiencies and access to specialized skills and technologies, particularly for smaller organizations with limited internal audit budgets (PricewaterhouseCoopers, 2017).

Internally, internal audit processes encompass a diverse array of activities aimed at evaluating and enhancing the effectiveness of internal controls and risk management practices. These processes typically include risk assessment, control testing, compliance monitoring, and fraud detection initiatives. Risk assessment serves as a foundational step in internal audit activities, involving the identification and prioritization of key risks facing the organization (Deloitte, 2019). Control testing involves the evaluation of the design and operating effectiveness of internal controls to ensure they mitigate identified risks effectively (Institute of Internal Auditors, 2017). Compliance monitoring activities focus on assessing the organization's adherence to applicable laws, regulations, and internal policies, safeguarding against legal and regulatory non-compliance (Association of Certified Fraud Examiners, 2018). Additionally, internal audit functions often play a critical role in fraud detection and prevention efforts, leveraging data analytics and forensic techniques to identify potential instances of fraud or misconduct within the organization (Association of Certified Fraud Examiners, 2018).

4.2. *Perceptions of Internal Control Effectiveness*

Participants expressed diverse perceptions regarding the effectiveness of internal control systems within their organizations. While some stakeholders viewed internal controls as robust and well-designed, others highlighted deficiencies and gaps in control implementation and monitoring. Common challenges identified included resource constraints, inadequate training, and gaps in communication and collaboration between internal audit and other functional areas. Participants in the study exhibited a range of perspectives regarding the effectiveness of internal control systems within their respective organizations. This diversity of views underscores the complex and multifaceted nature of internal controls and the varying experiences and perceptions of stakeholders involved. Some participants portrayed internal controls as robust and well-designed, emphasizing their role in safeguarding organizational assets, ensuring compliance with regulations, and mitigating operational risks. For instance, Johnson (2019) argues that effective internal controls serve as a cornerstone of corporate governance, providing assurance to stakeholders and enhancing organizational resilience in the face of uncertainties and disruptions. Conversely, other stakeholders highlighted deficiencies and gaps in the implementation and monitoring of internal controls, revealing vulnerabilities and areas for improvement within their organizations. These deficiencies may stem from various factors, including inadequate resources, limited expertise, and evolving business environments. For example, Smith and Chaffey (2020) emphasize the importance of aligning internal control frameworks with changing business dynamics and emerging risks to maintain their relevance and effectiveness over time.

Resource constraints emerged as a common challenge cited by participants, inhibiting the organization's ability to implement and maintain robust internal control systems. Limited financial resources may restrict investments in technology, training, and personnel needed to design, implement, and monitor effective internal controls (Simons, 2019). Moreover, competing priorities and budgetary pressures may further exacerbate resource constraints, diverting attention and resources away from internal control initiatives (Simons, 2019). Inadequate training emerged as another significant challenge identified by participants, impacting the organization's capacity to develop and sustain a competent workforce capable of executing internal control activities effectively (Hall, 2018). Insufficient training may result in gaps in knowledge and skills among personnel responsible for internal control activities, compromising the integrity and reliability of control processes (Hall, 2018). Therefore, investments in ongoing training and professional development are essential to equip employees with the requisite competencies to fulfill their roles in internal control implementation and monitoring effectively. Moreover, gaps in communication and collaboration between internal audit and other functional areas emerged as critical barriers to effective internal control governance. Internal audit functions rely on collaboration with various departments and business units to gain insights into organizational processes, identify control weaknesses, and recommend improvements (Gramling et al., 2019). However, inadequate communication channels and cultural barriers may impede information sharing and collaboration, hindering the internal audit's ability to perform its assurance and advisory roles effectively (Gramling et al., 2019).

In addressing these challenges, organizations must adopt a multifaceted approach that addresses both structural and cultural aspects of internal control governance. Firstly, organizations should prioritize resource allocation to strengthen internal control capabilities, including investments in technology, training, and personnel (Simons, 2019). Strategic partnerships with external service providers or co-sourcing arrangements may offer cost-effective solutions to address resource constraints while leveraging specialized expertise and technology (KPMG, 2019). Furthermore, organizations should prioritize investments in employee training and development initiatives to enhance internal control competencies across the organization (Hall, 2018). Training programs should be tailored to address specific knowledge gaps and skill deficiencies identified within internal control functions, emphasizing the importance of compliance, risk management, and ethical conduct (Hall, 2018). Additionally, organizations should foster a culture of open communication and collaboration to facilitate effective internal control governance (Gramling et al., 2019). This entails establishing clear channels of communication between internal audit, management, and other functional areas, promoting transparency, trust, and accountability in internal control processes (Gramling et al., 2019). Cross-functional teams and committees may be established to facilitate collaboration and coordination across departments, ensuring alignment with organizational objectives and priorities (Gramling et al., 2019).

4.3. Role of Internal Audit in Enhancing Internal Controls

Despite variations in internal audit practices and perceptions of internal control effectiveness, participants unanimously acknowledged the crucial role of internal audit in enhancing internal controls. Internal audit was perceived as providing independent assurance regarding the adequacy and effectiveness of internal controls, identifying weaknesses and recommending improvements to mitigate risks and enhance operational efficiency. Moreover, internal audit was seen as playing a vital role in promoting a culture of compliance and ethical behavior within organizations. Despite the diverse landscape of internal audit practices and varying perceptions of internal control effectiveness, participants unequivocally recognized the indispensable role of internal audit in enhancing internal controls within organizations. This unanimous acknowledgment underscores the overarching importance of internal audit functions in bolstering governance, risk management, and operational efficiency across diverse organizational contexts. As emphasized by Knapp (2017), internal audit serves as a linchpin of effective corporate governance, providing independent assurance to stakeholders regarding the adequacy and reliability of internal control systems.

Internal audit was widely perceived as a key contributor to the assurance process, offering impartial evaluations of internal control effectiveness and identifying areas for improvement. Participants highlighted the role of internal audit in conducting comprehensive assessments of control environments, evaluating control design and implementation, and testing the operating effectiveness of controls (Sawyer et al., 2016). These activities enable internal auditors to identify control weaknesses, deficiencies, and lapses in compliance, thereby enhancing the organization's capacity to mitigate risks and safeguard assets effectively. Moreover, internal audit plays a critical role in recommending remedial actions and control enhancements to address identified weaknesses and vulnerabilities. By providing actionable insights and recommendations, internal audit functions serve as catalysts for organizational improvement and resilience (Alzeban et al., 2018). For instance, internal auditors may recommend enhancements to control processes, changes to policies and procedures, or investments in technology and training to strengthen internal controls and mitigate risks effectively (Alzeban et al., 2018).

Furthermore, internal audit was widely perceived as a driver of organizational culture, fostering a climate of compliance, integrity, and ethical behavior. Internal auditors play a pivotal role in promoting adherence to regulatory requirements, ethical standards, and organizational policies and procedures (Chan et al., 2018). Through their objective assessments and recommendations, internal audit functions reinforce the importance of ethical conduct and accountability, thereby contributing to the cultivation of a positive organizational culture (Chan et al., 2018). The significance of internal audit in promoting a culture of compliance and ethical behavior is underscored by regulatory mandates and industry best practices. Regulatory frameworks such as the Sarbanes-Oxley Act and the COSO Internal Control Framework emphasize the importance of internal controls in ensuring compliance with laws, regulations, and ethical standards (Committee of Sponsoring Organizations of the Treadway Commission [COSO], 2013). Internal audit functions are instrumental in assessing and monitoring compliance with these regulatory requirements, safeguarding the organization against legal and reputational risks (COSO, 2013).

Furthermore, internal audit's role in promoting ethical conduct extends beyond regulatory compliance to encompass broader principles of corporate social responsibility and ethical leadership. Internal auditors are well-positioned to assess the alignment of organizational practices with ethical norms and values, identifying potential lapses in ethical behavior and recommending corrective actions (Schneider et al., 2020). By upholding ethical standards and fostering a culture of integrity, internal audit functions contribute to the organization's long-term sustainability and reputation (Schneider et al., 2020).

4.4. Impact of Internal Audit Recommendations

The study found that internal audit recommendations often led to tangible improvements in internal control systems and organizational processes. Management typically responded positively to internal audit findings, implementing recommended control enhancements and remedial actions to address identified deficiencies. However, challenges related to resource allocation, prioritization, and resistance to change were reported as barriers to the timely implementation of internal audit recommendations. The findings of the study underscore the transformative impact of internal audit recommendations on internal control systems and organizational processes. Internal audit functions play a pivotal role in identifying control weaknesses, deficiencies, and areas for improvement through their independent assessments and evaluations. Upon receiving internal audit findings, management typically responds positively by implementing recommended control enhancements and remedial actions to address identified deficiencies and mitigate risks effectively (Alzeban et al., 2018). Internal audit recommendations serve as catalysts for organizational improvement, driving tangible enhancements to internal control frameworks and operational processes (Chen et al., 2020). For instance, internal auditors may recommend revisions to control policies and procedures, enhancements to IT systems and controls, or changes to organizational structures and reporting lines to strengthen internal controls and mitigate emerging risks (Chen et al., 2020). By providing actionable insights and recommendations, internal audit functions facilitate informed decision-making and risk management practices within organizations (Alzeban et al., 2018).

Furthermore, internal audit recommendations contribute to the optimization of organizational processes and resource utilization. By identifying inefficiencies, redundancies, and gaps in control implementation, internal auditors enable management to streamline processes, allocate resources more effectively, and enhance operational efficiency (Smith & Chaffey, 2020). For example, internal audit recommendations may lead to improvements in workflow processes, automation of manual tasks, or reallocation of personnel and resources to high-priority areas (Smith & Chaffey, 2020). Despite the positive impact of internal audit recommendations, challenges related to resource allocation, prioritization, and resistance to change often impede the timely implementation of audit findings. Resource constraints, including budget limitations and competing priorities, may hinder the organization's ability to allocate resources to implement recommended control enhancements (Simons, 2019). Limited availability of skilled personnel, particularly in specialized areas such as IT and data analytics, may further exacerbate challenges related to resource allocation and implementation capacity (Simons, 2019). Moreover, prioritization of internal audit recommendations amidst competing demands for organizational resources poses a significant challenge for management (Simons, 2019). Management must weigh the urgency and importance of audit findings against other strategic initiatives and operational priorities, making difficult decisions regarding resource allocation and deployment (Simons, 2019). Consequently, less critical audit findings may be deprioritized or delayed in favor of more pressing business imperatives, prolonging the implementation timeline and potentially exposing the organization to ongoing risks (Simons, 2019).

Resistance to change within organizational culture and structures may also impede the implementation of internal audit recommendations (Hall, 2018). Change management challenges, including employee resistance, organizational inertia, and cultural barriers, may hinder the adoption of recommended control enhancements and process improvements (Hall, 2018). Resistance to change often stems from fear of the unknown, uncertainty regarding the implications of proposed changes, and perceived threats to established routines and power dynamics within the organization (Hall, 2018). To address these challenges, organizations must adopt a systematic and proactive approach to internal audit recommendation implementation. Firstly, organizations should prioritize resource allocation to ensure adequate funding and staffing for implementing recommended control enhancements (KPMG, 2019). Strategic partnerships with external service providers or co-sourcing arrangements may offer cost-effective solutions to address resource constraints while leveraging specialized expertise and technology (KPMG, 2019).

Additionally, organizations should establish clear processes and mechanisms for prioritizing internal audit recommendations based on their impact, urgency, and alignment with organizational objectives (Deloitte, 2019). This may involve establishing governance structures, such as audit committees or steering committees, tasked with overseeing the implementation of audit findings and tracking progress against agreed-upon timelines and milestones (Deloitte, 2019). Regular communication and reporting mechanisms should be established to keep stakeholders informed of progress and address any challenges or roadblocks encountered during implementation (Deloitte, 2019). Furthermore, organizations should invest in change management initiatives to address resistance to change and foster a culture of continuous improvement and innovation (Gramling et al., 2019). Change management strategies may include stakeholder engagement and communication, training and development programs, and recognition and rewards for successful implementation efforts (Gramling et al., 2019). By addressing resistance to change and building buy-in among employees, organizations can facilitate the successful implementation of internal audit recommendations and realize the intended benefits of improved internal controls and operational effectiveness (Gramling et al., 2019).

4.5. Discussion

The findings of the study have significant implications for both theory and practice in the field of internal auditing and corporate governance. Firstly, the study underscores the importance of internal audit independence, objectivity, and competence in providing credible assurance regarding the effectiveness of internal controls. It highlights the need for organizations to invest in internal audit capabilities and resources to enable thorough and rigorous assessments of internal control systems.

Furthermore, the study emphasizes the critical role of internal audit in driving continuous improvement in internal control processes and organizational governance. By identifying control deficiencies, recommending remedial actions, and monitoring implementation, internal audit functions as a catalyst for enhancing organizational resilience and mitigating operational risks. Moreover, the study highlights the importance of collaboration and communication between internal audit and other functional areas within organizations. Effective collaboration ensures that internal audit efforts are aligned with organizational objectives and priorities, facilitating the timely implementation of audit recommendations and the achievement of desired control outcomes.

5. CONCLUSION

The comprehensive examination of internal audit practices, perceptions of internal control effectiveness, and the impact of internal audit recommendations reveals significant implications for both theoretical understanding and managerial practice in the realm of organizational governance, risk management, and operational effectiveness.

Theoretical Implications: The findings underscore the multifaceted nature of internal audit functions and their critical role in organizational governance. Internal audit practices vary significantly across organizations, influenced by factors such as organizational size, industry dynamics, and regulatory frameworks. Despite this variability, internal audit functions universally serve as guardians of organizational integrity, providing independent assurance regarding the adequacy and effectiveness of internal controls. This highlights the importance of recognizing internal audit as a strategic asset rather than a mere compliance function, aligning internal audit objectives with broader organizational goals and priorities (Chan et al., 2018). Furthermore, the study elucidates the intricate interplay between internal audit, organizational culture, and ethical conduct. Internal audit functions play a pivotal role in promoting a culture of compliance, integrity, and accountability within organizations, thereby contributing to the cultivation of a positive organizational climate conducive to sustainable growth and stakeholder trust (Schneider et al., 2020). This underscores the importance of integrating ethical considerations and values into internal audit practices and training initiatives to foster a culture of ethical leadership and responsibility throughout the organization (Schneider et al., 2020).

Managerial Implications: The findings have significant implications for managerial practice, particularly in terms of resource allocation, prioritization, and change management. Organizations must prioritize resource allocation to strengthen internal audit capabilities and facilitate the timely implementation of audit recommendations. Strategic investments in technology, training, and personnel are essential to enhance internal audit effectiveness and resilience in the face of evolving risks and challenges (KPMG, 2019). Moreover, management must establish clear processes and mechanisms for prioritizing internal audit recommendations based on their impact, urgency, and alignment with organizational objectives. This entails fostering collaboration and communication between internal audit, management, and other functional areas to ensure buy-in and commitment to implementation efforts (Deloitte, 2019). By establishing governance structures and reporting mechanisms, organizations can track progress, address challenges, and monitor the effectiveness of internal audit recommendation implementation initiatives (Deloitte, 2019). Furthermore, organizations must invest in change management initiatives to address resistance to change and facilitate the successful implementation of internal audit recommendations. Change management strategies should focus on stakeholder engagement, communication, and training to build buy-in and support for recommended control enhancements and process improvements (Gramling et al., 2019). By addressing resistance to change and fostering a culture of continuous improvement, organizations can maximize the value and impact of internal audit recommendations, thereby enhancing governance, risk management, and operational effectiveness (Gramling et al., 2019).

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