

Mutual Benefits in Internal Audit and Risk Management

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ABSTRACT: Using a literature reviews' conclusion for the past studies done between 2003 till 2015, on internal audit activity and risk management, this paper explored the mutual relationship benefits between the internal audit activity and risk management and correlated the results in a way that can help each other.

KEYWORDS: Internal Audit, Risk Management.

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I. INTRODUCTION

In the recent years and with the development of companies and business environments the role of internal audit activity has more progress, and become one of the most critical factors that help the organisation in achieving its objectives. The recent internal audit uses risk-based audit, and risk-based plan approaches to achieve internal audit objectives. In the same time, and according to the maturity of the organisation it uses integrated risk management framework which begins with identity, assessment, and management of the significant risks to be within the risk appetite approved by the board. Executive management and audit committee define the role of internal audit in the process of risk management, and the attitude of management will most often be determined by factors such as the organisational culture, the ability of internal audit staff, and the conditions prevailing in individual countries, as well as its customs.

II. LITERATURE REVIEW

The researchers reviewed the most important papers that have been found in the field of interest at the timeline between 2003 till 2015 and wrote down the critical conclusion for each one of them from the oldest to the recent as shown in (table 1).

Table (1) Literature Review

Author	Title	Conclusion
Marco Allegrini and Giuseppe (2003)	Internal audit and risk assessment of large Italian companies	This paper shows that all financial institutions and large Italian companies have an internal audit unit. Therefore, in banks and insurance companies, the audit department is established to comply with regulatory requirements and, in some cases, assesses the previous commitment section.
Mark S. Beasley (2006)	The Impact of Enterprise Risk Management on the Internal Audit Function	This paper proves that internal auditors can help create their destiny with the organisation's risk management by providing the organisation's risk management leadership with the initiative. Internal audit can help to create ways for other responsibilities and contributions that are appropriate for the internal audit profession
John Hall (2007)	Internal Auditing and ERM: Fitting in and Adding Value	This paper shows that the board and executive leadership have the overall responsibility for ensuring enterprise-wide risks are managed. Through its core assurance and safeguarded consulting roles, internal audit is well positioned to add significant value to the ERM process. Through all of its ERM activities, internal audit must apply all relevant Standards to protect its independence and objectivity. Within the constraints of the Professional Standards, ERM can help raise the profile and increase the effectiveness of internal audit (IIA 2004). Internal audit's intimate knowledge of an organisation's risk universe, familiarity with risk-based assessments, close ties to the executive leadership, and unique ability to assimilate large amounts of information and produce clear and concise findings position internal audit as a valuable instrument in an organisation's ERM implementation and ongoing assurance and consulting activities.
Ivana Pokrovac et al. (2007)	The Relation of Risk Management and Internal Audit Function – The Case of Croatia	This paper proves that there is a significant relationship between the involvement of internal audit in risk management procedures and the quality of the audit which helps to ensure the efficiency and effectiveness of the professional audit functions.

Theofanis Karagiorgos et al. (2010)	Internal Audit Contribution to Efficient Risk Management	This paper proves that internal audit is vital in the efficient riskmanagement and consequently in the business survival and success.
Laura de Zwaan et. Al (2011)	Internal audit involvement in enterprise risk management	This paper discusses the substantial involvement of internal auditors in the organisation's risk management which affects the internal auditors' understanding and wishes to report on the collapse of the risk management procedures of the audit committee.
Silvia Popescu and Abdelnaser Omran (2011)	Managing riskand Internal Auditing	This paper proves that internal audit aids the organisation achieve its objectives through systematic assessment of risk management procedures, internal control system, and governance.
Muazu Saidu Badara et al. (2012)	The Relationship between Risk Management and Internal Audit Effectiveness at Local Government Level	This paper shows that risk management can affect the effectiveness of internal audit at the local level.
Jie Liu (2012)	The Enterprise Risk Management and the Risk Oriented Internal Audit	This paper proves that the risk-oriented internal audit is not only the result of the changes in the environment and the growth of the organisation but correspondingly the advance of the internal audit and the expansion of the organisation risk management.
Vijesh Ravindran et al. (2015)	Risk management and Internal Audit Practices	This paper shows that the internal audit roles are the primary force driving the risk management process for a majority of the organisations. The board and executive management are displayinga willingness to advance risk management practices and have demanded internal audit functions to advise and support them. Given internal audit's positioning withinan organisation and its understanding of the business and associated risks, there are significant opportunities to do more than the conventional assurance roleconcerning risk management.

Based on table (1) it can be shown that:

The lack of development of internal audit due to the significant development in the business environment poses an additional risk to the organization's risks. The wide scope of internal audit and the use of technological developments in the methods and trends of internal auditors helps internal auditors to provide risk management with great benefit.

Internal audit helps organizations to achieve their objectives through a systematic approach to risk management procedures, internal control system and governance procedures. Internal audit is a vital function in the efficiency of risk management and has a deep knowledge of the risks to enterprises, as well as the need for internal auditing to implement all appropriate standards in order to protect its independence and objectivity.

The risk management can influence both the effectiveness of the internal auditors, the quality of the audit, the efficiency and effectiveness of the professional audit functions, and the impact of internal auditors 'involvement in ERM on the internal auditors' understanding and willingness to report on the collapse of the risk management procedures of the Audit Committee.

The ability of internal auditors to determine their own fate with the organization's risk management by providing the organization's risk management leadership with the initiative, while creating ways of other responsibilities and contributions suitable for the internal audit profession.

Reaserch Variables:

Risk Management

Process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives(COSO 2004).

Internal Audit:

An independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (IIA, 2000).

Internal audit role in risk management:

In conclusion to table (1), it can be shown that internal audit role in risk managementsumarized in the next few points:

*Give assurance on risk management processes.
Give assurance that risks are correctly evaluated.*

Evaluating risk management processes.
Evaluating the reporting of critical risks.
Reviewing the management of critical risks.
Facilitating identification and evaluation of risks.
Coachmanagement in responding to risks.
Coordinate ERM activities.
Consolidate the reporting on risks.
Maintaining and developing the ERM framework.
Champion establishment of ERM.
Develop risk management strategy for board approval.

Risk management role in internal audit:

In conclusion to table (1), it can be shown that risk management role in internal audit can be summarized in the next two points:

The substantial involvement of internal auditors in the organisation's risk management affects the internal auditors' understanding and wishes to report on the collapse of the risk management procedures of the audit committee.

The involvement of internal audit in risk management procedures has a significant impact on the quality of the audit and helps to ensure the efficiency and effectiveness of the professional audit functions.

III. CONCLUSION

The study aims to get an in-depth understanding of the mutual benefits of the internal audit activity and risk management.

The output of this study will be significant in indicating that internal audit shares in improving the effectiveness of risk management, and risk management shares in improving internal audit effectiveness

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