



The Impact of Internal Auditing and its Reflection on Improving the Financial Performance of Banks in Dhi Qar Governorate (An Analytical Study in Rafidain Bank / Al-Nasr Branch)

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Abstract:

This research aims to identify the impact of internal auditing and its reflection on improving the financial performance of banks in Dhi Qar Governorate/Iraq. An analytical study was conducted on a sample of the Iraqi Rafidain Bank/Al-Nasr Branch, as Rafidain Bank has seven branches in the above-mentioned governorate. Al-Nasr Branch was chosen from among those branches for several reasons, such as its proximity, the speed of obtaining information, and the ease of collecting data accurately for the purpose of testing the relationship between the effectiveness of the internal audit function and the financial performance of banks. The data was collected through a questionnaire directed to the bank's manager and employees. Appropriate statistical methods were used to analyze the data and verify the research hypotheses. Data were collected from (40) respondents who are considered the research community using the intentional sample method, as the questionnaire was relied upon in collecting data, as it included ten indicators. The research relied on the program (SPSS V.24), (Excel 2011) in addition to relying on descriptive statistics methods (arithmetic mean, standard deviation). The research results showed a positive relationship with an impact between the effectiveness of the internal audit function and improving the financial performance of the banks studied, and the direct link between auditing Internal to improve financial performance.

Keywords: Internal audit, financial performance.

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Introduction

In the era of big data and digital transformation, customer personalization has emerged as a pivotal element in business strategies. Companies leverage advanced analytics to understand consumer behavior, preferences, and needs, enabling them to offer highly tailored experiences. However, the same processes that allow for deep customer insights often require extensive data collection and analysis, raising critical privacy concerns.

This research investigates the intersection of customer personalization and data privacy, focusing on how advanced analytics can be used to achieve a harmonious balance. It seeks to answer the following questions:

1. How do businesses utilize advanced analytics to enhance customer personalization?
2. What are the primary privacy concerns associated with these practices?
3. What strategies and technologies can mitigate privacy risks while maintaining the benefits of personalization?

Introduction:

Internal audit is one of the main pillars of bank governance and monitoring the financial performance of organizations. In light of the economic developments and rapid changes in the business environment, internal audit is considered one of the important functions that organizations rely on, due to its impact on focusing, designing and developing the internal control system, as well as measuring and evaluating the efficiency of using available resources. The need for the internal audit function has become urgent with the increase in financial fraud that has spread recently from major companies around the world, such as Enron in the United States of America. The importance of internal audit in banking institutions has increased due to its impact on the workflow within institutions to achieve their goals, which are to maximize shareholders' profits, ensure business continuity, maintain market power to the stock, and thus preserve customer deposits. Internal audit is one of the essential elements to ensure the safety and stability of the financial system, as it helps in assessing risks, ensuring compliance with laws and regulations, and improving the effectiveness of operations in a world characterized by rapid changes and financial complexities. Internal audit is an urgent necessity to maintain the confidence of customers and investors. The subject of financial performance is of great importance to any institution, whether economic or financial, especially in the current period in which the world is witnessing the collapse and bankruptcy of many American and European companies and banks, one of the most important reasons for their bankruptcy and collapse was the difference and contradiction in the accounting data issued by these institutions and the actual performance.

Internal audit plays a crucial role in preventing financial crises and detecting problems before they escalate. By reviewing financial and administrative processes, banking institutions can identify and address weaknesses, reducing the likelihood of financial crises. For example, the financial crises we have witnessed in recent years, such as the 2008 crisis, were the result of a lack of effective oversight, highlighting the importance of having a strong internal audit system.

When comparing the global context, we find that many countries have realized the importance of internal auditing after previous financial crises. For example, in the United States, laws and regulations related to internal auditing were strengthened after the 2008 crisis, which led to improved transparency and accountability in the banking sector.

In the local context, things may be different. In some countries, internal audit is still considered a formality, which leads to problems in detecting risks. However, there are also countries that have started to improve their internal audit systems, benefiting from the lessons learned from global crises.

The role of internal audit has become a key axis in enhancing internal control and improving the financial performance of banks. There are many studies that have emphasized the importance of the internal audit function in organizations. Al-Jaderji (2019) indicated that internal audit contributes to evaluating and improving the effectiveness of risk management and internal control processes, which is positively reflected in the company's financial performance. Al-Abadi (2017) also explained that internal audit enhances transparency and accountability in financial management, and helps in making sound decisions in this regard. There is a study conducted by (Prawitt & Smith; 2009) a theoretical study at (Brigham Young University) in which he showed that internal auditors perform work related to the financial impacts of the financial reporting processes of their host entities. However, little research attention has focused on internal auditing in external financial reporting of companies, as it studied the relationship between the internal audit function (IAF) quality management and profits.

The above study measures the quality of IAF using a composite measure that includes individual components of IAF quality based on SAS No. 65, which guides external auditors in assessing the quality of IAF in relation to its role in financial reporting.

In this context, the importance of this research comes in an attempt to identify the role of internal audit in improving the financial performance of Iraqi banks. An analytical study was conducted to reveal the nature of the relationship between the effectiveness of the internal audit function and improving financial performance in Rafidain Bank/Victory branch.

First: Research methodology

The research methodology can be described as follows:

1. Research Problem

The problem of the current research lies in the existence of a disparity in the performance of Iraqi banks, not only in terms of finance. Iraq, as a country, suffers from economic, security and political challenges. Its banking system faces many problems that require special attention. As one of the largest government banks, Rafidain Bank plays a vital role in the Iraqi economy, which makes the effectiveness of its internal audit very important.

Specifically, the research problem is represented by the following challenges:

➤ Financial and administrative corruption:

Corruption is one of the most prominent challenges facing internal audit in Iraq and the lack of transparency and accountability can negatively impact the effectiveness of internal audit and hinder anti-corruption efforts.

➤ Weak infrastructure:

Financial institutions in Iraq suffer from an underdeveloped technical infrastructure, which makes it difficult to carry out effective audits, and the lack of advanced information systems can lead to weak data collection and analysis.

➤ Political instability:

Political instability affects confidence in the banking system and increases risks associated with internal audit, and frequent changes in government policies may hinder audit improvement efforts.

➤ Lack of qualified personnel:

The banking sector in Iraq faces a shortage of trained and professional cadres in the field of internal auditing, which affects the quality of auditing and increases risks.

2. Research objective

The current research aims to achieve the following objectives:

- Identifying the effectiveness of the internal audit function in Iraqi banks.
- Identify the most important financial performance indicators used in evaluating the performance of Iraqi banks.
- Studying the nature of the relationship between the effectiveness of the internal audit function and improving the financial performance of the banks studied.

3. Importance of the research

The importance of the research stems from several aspects:

First: Theoretical importance

- The research contributes to enriching the literature and previous studies related to the role of internal auditing in improving the financial performance of banks, especially in the Iraqi environment.
- It provides an integrated theoretical framework for the importance of the internal audit function and its relationship to improving the financial performance of banks.
- It contributes to understanding the relationship between the effectiveness of internal audit and the financial performance of banks.

Second: Practical importance:

- The research provides valuable information to officials and managers of Iraqi banks about the importance of internal auditing in improving financial performance.
- Supports decision makers in banks to identify internal audit strengths and weaknesses and develop them to improve financial performance.

4. Research Hypotheses

Two hypotheses were formulated for the research as follows:

- There is a significant correlation between internal audit and financial performance.
- There is a significant relationship between internal audit and financial performance.

5. Methods of collecting information and data

The data and information for the research were collected based on scientific references available in books, theses and dissertations on the Internet for the purpose of achieving the research objectives. As for the practical aspect, the researchers relied on studying and analyzing the data for the research sample in addition to field visits to the bank.

The second topic**Theoretical framework****Firstly/ The concept of internal audit:**

It is a set of methods adopted by management that enable it to exploit its resources efficiently and protect its assets from fraud, embezzlement and misuse, as well as to ensure the accuracy of accounting entries and the integrity of their direction, in addition to implementing current operations in a coordinated manner according to the established administrative policies so that the greatest degree of production efficiency is achieved while working on adequate planning for the future (Nahla and Jaleesa, 4:2022).

It was defined as an independent and objective process that aims to evaluate and improve the effectiveness of administrative and control processes within the institution (Abdullah, 2021).

As defined by the Institute of Internal Auditors, internal auditing is an independent and objective process that aims to evaluate and improve the effectiveness of risk management, control and governance processes within an organization. Internal auditing is an important tool to ensure the achievement of organizational objectives by improving processes and providing necessary recommendations. IIA, 2021).

Auditing is a systematic process of objectively evaluating, acquiring and distinguishing information for the purpose of ascertaining the level of compliance of that information with specified standards, and communicating the results to the interested user (Chauke, 2021:36).

1 - Internal audit objectives:

There are several objectives of internal auditing, as follows (Muhammad: 2020)

- Process Improvement: - Internal audit seeks to evaluate the effectiveness of processes and procedures, leading to improved performance and efficiency.
- Ensure compliance: - Ensure that the organization complies with laws, regulations and internal policies.
- Risk assessment: - Identify and assess potential risks that may affect the organization's strategic objectives.
- Improving the quality of financial information: - Ensuring the accuracy and reliability of financial information provided to management and investors.
- Enhancing transparency and accountability: - Enhancing transparency in financial and administrative operations, which helps build trust among stakeholders.
- Providing recommendations: - Providing recommendations to improve systems, policies and procedures based on the audit results.

2- The importance of internal auditing in banks:

- Promote transparency: Internal auditing helps ensure that financial information is accurate and correct, which enhances confidence among customers and investors.
- Risk Management: Contributes to identifying and assessing potential risks, which helps the bank make informed decisions.
- Improving financial performance: By identifying weaknesses and opportunities, internal audit can contribute to improving financial performance (Zaki: 2023).

3- Challenges facing internal audit in banks:

- Lack of resources: Some banks may have difficulty allocating the necessary resources for internal audit.
- Technological changes: the need to keep pace with technological developments in the field of auditing.
- Resistance to change: Internal audit teams may sometimes face resistance from employees (Ali: 2022).

secondly/ The concept of improving the financial performance of banks:

Improving the financial performance of banks is a process that aims to enhance the efficiency and effectiveness of the institution's financial operations. This includes increasing profitability, reducing costs, managing risks effectively, and improving the quality of services provided to customers. Good financial performance is considered an indicator of the health of the bank and its ability to achieve its strategic goals (Abdul Aziz, 2021). It is also known as the bank's ability to achieve its financial goals at the lowest possible cost, i.e. achieving financial balance (Jado and Mihoub: 577, 2021).

1-Key elements to improve financial performance:

There are several elements of financial performance as follows (Abdul Aziz: 2021)

- Increase profitability: by improving pricing strategies and increasing revenue.
- Improve operational efficiency: reduce costs and increase productivity.
- Risk Management: Develop strategies to reduce financial risks.
- Improving service quality: Focus on customer satisfaction and innovation in services.

2-The importance of improving the financial performance of banks

Improving financial performance is of great importance and can be done by using the information provided by the evaluation and taken from the financial statements by setting future and financial plans for the bank, as the outputs of this evaluation can be used in several areas as follows (Hassan, 22:2019):

- 1Determine the bank management's ability and efficiency in collecting funds and re-operating them to obtain a profit.
- Ensuring the effectiveness of the activities carried out by the bank.
- Assist in completing the bank's financial planning operations.

3-Types of financial performance of banks

The financial performance of banks can be classified into several main types, including:

- Profitability Performance: Measures the bank's ability to generate profits through its various activities. It includes indicators such as return on assets (ROA) and return on equity (ROE).
- Performance Efficiency: Reflects how efficiently the bank uses its resources to generate revenue. It includes indicators such as the cost-to-revenue ratio (Cost-to-Income Ratio).
- Liquidity Performance: Measures the bank's ability to meet its financial obligations in a timely manner. It includes indicators such as the liquidity ratio (Liquidity Ratio) and Loan-to-Deposit Ratio.
- Credit performance: relates to the quality of the bank's credit portfolio and its ability to manage the risks associated with loans. It includes indicators such as the ratio of non-performing loans (Non-Performing Loans Ratio).
- Investment Performance: Measures the effectiveness of the bank's investments in generating sustainable returns. Includes indicators such as return on investment (ROI).
- Operational performance: relates to the efficiency of the bank's daily operations, such as managing banking operations and operating costs.

Thirdly/The relationship between internal audit and financial performance

Internal auditing has an effective role in improving financial performance, as the American Institute of Internal Auditors has directed since the issuance of the first list of internal audit responsibilities in 1947, that the limits of internal auditing work should be (unrestricted), meaning that the internal audit department in the organization has the authority it needs to follow up on control procedures in the entire system. When referring to the legal framework of the internal audit department, we find that Article 40 of Law 01/88 states that "economic companies must organize and support the structures of control in the company and continuously improve their patterns of operation and management." With the development of economic organizations, it has become necessary to develop the internal audit function and expand the scope of its work, as it has become used as a tool to evaluate the extent and effectiveness of control methods and provide management with sufficient information at an appropriate time, which improves the level of financial performance of the organization (Hafiza, 6: 2015).

- Financial Indicators: Analyze how internal audit can impact indicators such as profits, return on investment, and non-performing loan ratio.
- Previous studies: Reviewing research and studies that addressed the relationship between internal auditing and financial performance, such as:

- ✓ Study the impact of internal audit on operational efficiency.
- ✓ Studying the relationship between internal audit quality and reducing financial risks (Abdulrahman: 2023).

The third topic

Firstly /Method and Procedures

This research follows the descriptive analytical approach, which focuses on describing the phenomenon under study and analyzing the relationship between variables.

Secondly/ Research community and sample

The research community consists of the Iraqi Rafidain Bank/Dhi Qar Governorate. The research sample was represented by the Al-Nasr branch of the Rafidain Bank, as there are five branches of the Rafidain Bank in the Dhi Qar Governorate. The reason for choosing the Al-Nasr branch of the Rafidain Bank as a sample was is to easily access its data, which allows its collection, which facilitates the research process and ensures obtaining accurate and reliable information. The branch is a suitable place to conduct interviews with employees and internal auditors, which provides direct insights into how the internal audit system works, as well as studying the Al-Nasr branch case can provide lessons learned that can be applied to other branches of Rafidain Bank or even in other banks in Iraq. The sample size was (40) respondents, and the questionnaire was distributed to them and all questionnaires were returned. Table (1) below shows the demographic factors of the research sample.

Table (1):Distribution of sample members according to demographic factors

variable	Category	Repetition	percentage
Sex	male	26	65%
	feminine	14	35%
	the total	40	100%
Academic qualification	Preparatory	9	22.5%
	diploma	14	35%
	Bachelor's	12	30%
	Postgraduate studies	5	12.5%
	the total	40	100%
Number of years of service	5-10 years	21	52.5%
	11- 15 years	13	32.5%
	More than 15 years	6	15%
	the total	40	100%
Job Title	Department Manager	1	4%
	Division Manager	6	15%
	employee	33	81%
	the total	40	100%

It is noted from Table (1) regarding the gender variable, it is clear that the male category is mre frequent than the female category, as males reached (26) employees with a percentage of (65%), while females are less frequent, reaching (14) employees with a percentage of (35%). As for the variable related to the educational qualification, we note that holders of preparatory certificates are more frequent, reaching (9) with a percentage of (22.5%), while holders of diploma certificates are more frequent, reaching (14) with a percentage of (35%), while the bachelor's degree category reached (12) with a percentage of (30%), while holders of higher degrees are less frequent, reaching (5) with a percentage of (12.5%). As for the variable of the number of years of service, we note that the category whose years of service range between (5-10 years) are the most frequent, reaching (21) with a percentage of (52.5%), while the other category whose years of experience are between (11-15 years) came with a frequency of (13) and a percentage of (32.5%). As for the category of more than (15 years), it is clear to us that there is a very small number with a frequency of (6) and a percentage of (15%) of those who have these years of service. As for the job title, it is noted that the one who works as (department manager) is less frequent, and this is something that is self-

evident since the research sample only focused on Rafidain Bank./Al-Nasr branch, which reached (1) and a percentage of (4%), while those who work as (division manager) came with a frequency of (6) and a percentage of (15%), and the most frequent were those who work as employees, which reached (33) and a percentage of (81%).

Thirdly/ Description of study variables

This research includes identifying the nature of the opinions and positions expressed by researchers regarding the study represented by: The role of internal audit in improving the financial performance of banks The description was defined as follows:

First: Presenting and discussing the results related to the effectiveness of the internal audit function.

The study questionnaire included (5) A question about measurement Effectiveness of the internal audit function In order to identify the level of sample individuals' responses to the variables in High internal audit function Table (2) shows the nature of the variables in F.high function Internal Audit According to the weighted arithmetic mean and standard deviation, the table shows it.

Table (2) Description of variables high function Internal Audit

The symbol	Phrases	Arithmetic mean	standard deviation
X1	The Internal Audit Department shall have the necessary independence in performing its duties.	3.93	.621
X2	Internal audit personnel have the required competence and qualifications.	4.10	.391
X3	The Bank provides the necessary financial and human resources to the Internal Audit Department.	3.83	.792
X4	The Internal Audit Department periodically assesses the bank's risks.	4.15	.307
X5	Implementation of internal audit recommendations is followed up by senior management.	3.10	.862

Source: The table was prepared by the researchers according to the computer results using the program spss.

The questionnaire included (5) indicators related to measuring the effectiveness of the internal audit function for the purpose of identifying the level of responses of the sample members to the above variable, as it was shown from Table (2) that the arithmetic means of the indicators of the "internal audit" variable ranged between (4.15-3.10) The highest indicator was for the indicator that states "Internal audit periodically assesses the bank's risks" with an arithmetic mean (4.15) and is considered higher than the hypothetical mean and achieved a standard deviation (0.307) and is considered the first rank of indicators. It is followed by the indicator that states "The implementation of internal audit recommendations is followed up by senior management" with an arithmetic mean (3.10) and is considered higher than the hypothetical mean and with a standard deviation (0.862) and is ranked last of indicators. This indicates that the internal audit department periodically takes steps to confront risks such as financial, operational, marketing and reputational risks and classifies them according to their severity and develops a periodic plan for this such as conducting opinion polls for bank employees and customers and reviewing bank documents such as financial reports, policies and procedures, as well as analyzing data to reduce risks.

Fourth /Display results related to financial performance And discuss it.

The study questionnaire included (5) Questions about financial performance In order to identify the level of responses of the sample members, the researcher relied on measuring the weighted arithmetic mean and standard deviation of the financial performance variables. Table (3) shows it.

Table (3) Description of financial performance variables

The symbol	Phrases	Arithmetic mean	standard deviation
Y1	Internal audit affects the return on assets ratio (ROA)	3.80	.714
Y2	There is an effective relationship between internal audit and the return on equity ratio (ROE)	3.50	.777
Y3	Internal audit procedures affect the determination of required liquidity	3.80	.714
Y4	Internal audit plays a role in further reducing the debt ratio	4.00	.495
Y5	There is a positive relationship between the effectiveness of internal audit and improving the financial performance of a bank	4.10	.407

Source: The table was prepared by the researchers based on computer results using the program spss

The questionnaire included (5) indicators related to measuring financial performance for the purpose of identifying the level of responses of sample members to the above variable. Table (3) shows that the arithmetic means of the indicators of the “financial performance” variable ranged between (4.10–3.50) The highest was for the indicator that states “There is a positive relationship between the effectiveness of internal auditing and improving the financial performance of a bank” with an arithmetic mean (4.10) which is considered higher than the hypothetical mean and achieved a standard deviation (0.407) and is considered to be in the first rank of indicators. It is followed by the indicator that states “There is an influential relationship between internal audit and return on equity ratio ((ROE” And by my account (3.50) It is considered higher than the hypothetical mean and with a standard deviation of (0.777) and in the last rank of the indicators. This indicates that there is a positive relationship between the effectiveness of internal auditing and improving the financial performance of Rafidain Bank, and this has a role in increasing the reduction in the debt ratio and that the procedures Internal audit affected the determination of required liquidity.

Fifth / Analysis of the results of testing the hypotheses contained in the study model

This section includes testing the differences shown by the data of the respondents’ positions. It is a continuation of the descriptive and diagnostic processes based on the data of the descriptive analysis, in addition to identifying the importance of these differences and the extent of their contribution to accepting the alternative hypotheses. This section includes the following:

First: The simple relationship between the variables of internal audit function effectiveness and financial performance

Table (4) Simple correlation between the variables of internal audit function effectiveness and financial performance (x-y)

Correlations

		X	Y
X	Pearson Correlation	1	.873**
	Sig. (2-tailed)		.000
	N	62	62
Y	Pearson Correlation	.873**	1
	Sig. (2-tailed)	.000	
	N	62	62
Correlation is significant at the 0.01 level (2-tailed).			

Source: Prepared by researchers based on computer results using the program (v.spss.24)

The first main hypothesis stated that (there is a significant correlation between internal auditing and financial performance) as shown in the table above (4) Which shows the Spearman correlation coefficient, from Table (4) we notice:

The overall Pearson correlation coefficient between internal audit and financial performance was (.873**) It is a positive value at a significance level of (0.01), which means that there is a strong direct correlation with a positive significance between internal auditing and financial performance, which is an indicator of the strength of the relationship between internal auditing and financial performance, since sig = 0.01 < 0.000, then the hypothesis is accepted, which states (there is a strong correlation between internal auditing and financial performance).

Table (5) Represents the coefficient of determination for the independent and dependent variables.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.873a	.762	.830	.3142

a. Predictors: (Constant), X

b. Dependent Variable: Y

The table above shows that 76% of the results were explained by the variables under study.

Sixth / The impact between the effectiveness of the internal audit function and financial performance:

The second main hypothesis stated that (there is a significant moral effect between internal audit and financial performance), as shown in the table (7) Which shows the general trend or slope. From Table (7) which indicates that there is a significant effect between internal auditing and financial performance at a significance level of (0.01, since Sig=.000 < 0.01, the second main hypothesis is accepted which states that (there is a significant effect between internal auditing and financial performance). Since the value of the beta coefficient is positive, this means that the effect is positive. The value of the determination coefficient reached (0.762) and the value of the beta coefficient reached (0.663).

The regression equation was as follows: $Y = 1.674 + 0.565X$ so

X: represents the independent variable (internal audit)

Y: represents the dependent variable (financial performance)

Table (6) The impact between internal audit and financial performance

Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.674	.356		4.700	.000
	X	.565	.082	.663	6.852	.000

a. Dependent Variable: Y

Regression analysis was used to determine the relationship between the two variables, where the marginal slope coefficient of the regression function reached (0.565), which means that changing the internal audit by one unit affects the financial performance, i.e.

a direct relationship between them. As for the hypotheses, the coefficients were used (Coefficients) where the value of (t) was known and in light of it it was compared with (t) with the table which is less than the calculated (t) so the alternative hypothesis was accepted.

Seventh / Conclusions

- 1- The research results showed a statistically significant positive relationship between the effectiveness of the internal audit function and improving the financial performance of Iraqi banks. This indicates that increasing the effectiveness of internal audit in these banks leads to improving financial performance indicators.
- 2- It was found that there is a strong and statistically significant correlation between the effectiveness of internal audit and the return on assets ratio (ROA) and return on equity (ROE) ratio of the banks surveyed, this reflects the vital role of internal audit in improving the profitability and financial returns of banks.
- 3- The results also showed a statistically significant correlation between the effectiveness of internal auditing and improving the current liquidity ratio of banks. This indicates that internal auditing contributes to enhancing the ability of banks to meet their short-term obligations.
- 4- On the other hand, the results did not show a statistically significant relationship between the effectiveness of internal auditing and improving the debt ratio of joint stock companies, and this may reflect the weakness of the auditing role in monitoring debt levels and capital structure in these banks.
- 5- In general, the research results confirm the vital importance of internal auditing in improving the financial performance of banks, and provide recommendations to enhance the effectiveness of the internal audit function in these banks..

Eighth / Recommendations

1. Enhancing the effectiveness of internal auditing: Iraqi banks must develop and update internal auditing systems in order to enhance their effectiveness. This is done through training employees and providing important tools and advanced technologies.
2. Increase investment in internal audit: We recommend increasing the budget allocated to the internal audit function, which contributes to employing experienced and specialized auditors and using modern technologies to improve performance.
3. It is necessary to activate the role of internal audit in monitoring debt: Banks should work to improve the role of audit in monitoring debt levels and capital structure, by developing clear policies and procedures for auditing in these areas.
4. Implement accurate performance indicators: We recommend implementing clear and accurate performance indicators to evaluate the effectiveness of internal auditing, which helps in monitoring progress and achieving financial goals.
5. Supporting the corporate culture of auditing: The corporate culture must be strengthened to support internal auditing, as this requires spreading awareness to all employees about the importance of internal auditing in improving financial performance.
6. Periodic assessment of audit effectiveness: We recommend conducting a periodic assessment of the effectiveness of the internal audit function, to ensure that the desired objectives are achieved and that changes in the financial environment are being accommodated.
7. Increase communication between departments: It is important and necessary to enhance communication between the Internal Audit Department and the rest of the

departments in the bank, which helps improve cooperation and exchange of information.

8. Work on developing and improving risk management strategies: Banks should develop effective risk management strategies, so that internal audit plays a fundamental role in assessing and identifying potential risks.

By implementing the above recommendations, Iraqi banks can improve the effectiveness of internal audit functions and thus improve overall financial performance.

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