

Article

The Role of Internal Audit in Strengthening The Governance System and Reducing Institutional Risks

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Abstract: The extract This research aims to study the role of internal audit in strengthening the principles of governance, reducing corporate risks and improving the efficiency of internal control within organizations, in light of the regulatory and supervisory challenges facing the modern business environment. The importance of the study stems from the need to activate the role of internal audit as a control tool that contributes to enhancing transparency and accountability and improving enterprise risk management. The study sought to clarify the nature of the relationship between internal audit, corporate governance and corporate risks, and measure the impact of internal audit in supporting internal control systems and improving the efficiency of corporate performance. The study adopted the descriptive analytical approach, and the data was collected using a questionnaire designed according to the five-point Likert scale, and distributed to an intentional sample of (120) individuals working in internal audit, internal control, risk management and governance within the institutions under study. The study also used a combination of statistical methods such as cronbach's Alpha coefficient, T-Test, and Pearson correlation coefficient using SPSS v29 software. The results of the study showed that there is a statistically significant impact of internal audit in strengthening the principles of governance within organizations, as well as an effective role of internal audit in reducing corporate risks and improving the efficiency of internal control. The results also revealed a strong positive correlation between internal audit, corporate governance and corporate risk. The study recommended the need to strengthen the independence of Internal Audit Units, develop the skills of internal auditors, support the application of governance principles and rely on modern technologies in audit and risk management.

Keywords: Internal audit, corporate governance, institutional risk, internal control, risk management.



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1. Introduction

The internal audit function is one of the pivotal functions in modern accounting and management thinking, because it plays a key role in enhancing the efficiency of corporate performance, improving internal control systems, and supporting the principles of corporate governance and risk management. The business environment has witnessed rapid developments in recent years as a result of digital transformation, increasing complexity of operational processes, and high levels of financial and technological risks, which has made organizations more in need of effective regulatory systems capable of achieving transparency, accountability, and protecting institutional resources. In this context, internal audit has become a strategic tool that is not limited to traditional examination, but extends to providing advisory and confirmation services that contribute to supporting senior management and improving decision-making processes. Corporate governance is based on a set of principles and mechanisms aimed at regulating the relationship between management and stakeholders and enhancing transparency, disclosure and control, in order to ensure the achievement of efficiency and corporate sustainability. Enterprise Risk Management is also related to the organization's ability to identify, analyze, evaluate potential risks and develop appropriate measures to reduce their negative effects. Recent literature has confirmed that the existence of an independent and effective internal audit directly contributes to improving the quality of financial reports, strengthening internal control, strengthening risk management systems and corporate governance. In light of recent developments, global organizations have tended to adopt risk-based internal audit, the use of digital technologies and intelligent data analysis, in order to raise performance efficiency and early detection of deviations and risks. Many recent studies have focused on the complementary relationship between internal audit, governance and risk management, stressing that the effectiveness of internal audit is one of the main pillars to achieve institutional stability and reduce cases of corruption and administrative failures. This issue is particularly important in the Iraqi environment, in light of the need for institutions to develop control and governance systems and face the challenges associated with operational, financial and technological risks. Despite the increasing academic and professional interest in the subject of internal audit, there are limitations in the Arab studies that dealt integrally with the relationship between internal audit, governance and enterprise risk management within a unified framework, which represents a knowledge gap and application that requires study and research. Hence, this study came to examine the role of internal audit in strengthening the governance system and reducing institutional risks, by testing the relationship between these variables and analyzing their impact in the contemporary institutional environment.

Research problem

Contemporary organizations are facing increasing challenges related to the weak application of governance principles and the high level of corporate risks resulting from administrative, financial and technical complexity, which imposes the need to activate the role of internal audit as a supervisory and advisory tool that contributes to enhancing transparency, improving internal control and supporting rational decision-making. However, many organizations still suffer from deficiencies in employing internal audit to achieve governance and risk management objectives efficiently and effectively. The main problem of the research can be formulated what is the role of internal audit in strengthening the governance system and reducing corporate risks in enterprises In view of this, the following sub-problems can be formulated:

- a. To what extent does internal audit contribute to strengthening the principles of governance within organizations.
- b. What is the impact of internal audit in reducing corporate risks and improving the efficiency of internal control.

Research objectives

The research seeks to demonstrate the importance of internal audit in supporting corporate governance, reducing risks and improving the efficiency of control within organizations through the following :

- a. Clarifying the theoretical concepts related to internal audit, governance and corporate risks and indicating the nature of the relationship between them.
- b. Statement of the importance of internal audit as a supervisory and advisory tool that contributes to enhancing transparency and institutional control.
- c. Measuring the extent to which internal audit contributes to strengthening the principles of governance within the institutions under study.
- d. Analysis of the impact of internal audit in reducing corporate risks and improving the efficiency of internal control systems.
- e. Providing scientific results and recommendations that contribute to the development of the role of internal audit to support corporate governance and risk management.

Research importance

The importance of the research stems from the need to strengthen corporate governance and activate internal audit to face risks and improve corporate performance through the following :

- a. The research contributes scientifically to enrich the accounting literature related to the role of internal audit in strengthening the corporate governance system.
- b. The research provides a scientific framework that clarifies the relationship between internal audit and enterprise risk management and improving the efficiency of internal control.
- c. The research assists institutions in developing control and risk reduction mechanisms to enhance transparency and protect institutional resources.
- d. The research supports the community by enhancing confidence in institutions and improving the quality of administrative and financial decisions to serve economic stability.

Research hypothesis

Based on the nature of the research problem and the objectives of the current study, research hypotheses have been constructed to measure the relationship and influence between the study variables in an accurate scientific manner. The main hypothesis of the research can be formulated : there is a significant moral impact of internal audit in strengthening the governance system and reducing corporate risks in enterprises. On the basis of the main hypothesis, the following sub-hypotheses can be formulated:

- a. There is a statistically significant impact of internal audit in strengthening the principles of governance within organizations.
- b. There is a statistically significant impact of internal audit in reducing corporate risks and improving the efficiency of internal control.

Research limits

The current boundaries of research are determined by a set of temporal and spatial dimensions associated with the subject of study.

- a. Time limits: the duration of the research and analysis of its data is during 2026.
- b. Spatial boundaries: the study is limited to companies listed on the iraq stock exchange that apply internal audit and corporate governance systems in iraq.

Research methodology and method

The research adopts the descriptive analytical approach for its relevance to the nature of the study in analyzing the role of internal audit in enhancing governance and reducing corporate risks, through collecting data using the questionnaire and analyzing it statistically via the SPSS program to test research hypotheses and measure the nature of the relationship and impact between the study variables.

Previous studies

A study [1] indicated that internal audit is one of the most important internal mechanisms of corporate governance, as it contributes to identifying and analyzing risks and submitting reports to the Audit Committee and the board of directors, which helps to strengthen control and reduce corporate risks. The study also confirmed that the effectiveness of internal audit is related to the organization's ability to apply the principles of good governance.

A study [2] showed that internal audit based on international standards of auditing contributes to reducing operational risks in banks, by assessing the efficiency of internal control systems and raising the level of compliance and transparency, which enhances banking governance and reduces the likelihood of exposure to operational and financial risks.

As explained by a study [3] that internal control frameworks are directly related to governance and risk management, and that internal audit is a control tool that helps management detect weaknesses, strengthen the control environment and improve enterprise risk management.

A study [4] that IT governance helps reduce the risks of outsourcing internal audit, by improving electronic control, enhancing information security and reducing digital risks facing modern enterprises. Foreign studies related to internal audit and risk management.

A study [5] confirmed that internal audit plays a pivotal role in enterprise risk management by evaluating internal control systems and providing risk-related consulting to senior management, and also helps in creating added value for the organization through the development of risk reduction strategies.

A study [6] pointed out that internal audit and the application of good governance contribute to raising the effectiveness of Enterprise Risk Management ER M, and that the presence of audit committees and effective supervisory boards increases the ability of organizations to face risks and improve institutional performance.

A study [7] also showed that the effectiveness of internal audit depends on independence, professionalism and support of senior management, and that these factors help in improving governance, strengthening risk management and reducing corporate failures.

A study [8] explained that modern internal audit has become an essential part of corporate governance, as its role has moved from just financial examination to providing added value by supporting risk management, improving management decisions, enhancing transparency and accountability.

Analysis of previous studies: Most of the previous studies agree that internal audit is one of the main pillars in strengthening corporate governance and reducing risks, and that the effectiveness of internal audit is related to the extent of its independence, the efficiency of auditors and the existence of effective audit committees. The studies also unanimously agreed on the existence of an integrative relationship between internal audit and enterprise risk management within the governance framework. Arab studies focus more on the theoretical and regulatory aspects related to internal audit and governance, with a focus on the banking sector and internal control, while foreign studies focused on the concept of Enterprise Risk Management ER M, risk-based audit and the role of internal audit in creating corporate value and improving strategic performance.

Aspects of agreement and differences between previous studies and the current study The current study agrees with previous studies in emphasizing the importance of internal audit as a control tool that contributes to strengthening governance and reducing corporate risks, and also agrees with them in considering risk management as an essential part of modern internal audit functions.

The difference is that the current study seeks to directly link Internal Audit, Governance and enterprise risk management within a single integrative model, focusing on how internal audit contributes to reducing enterprise risk in the modern business environment, and not just evaluating internal control or operational risks separately.

The research gap addressed by the current study The research gap is represented by the lack of recent Arabic studies that have dealt integrally with the relationship between internal audit, corporate governance and corporate risk management within one framework, as well as the limited applied studies that focused on the role of internal audit in reducing corporate risks in light of digital transformation and increasing operational and technological risks. Therefore, the current study seeks to address this gap by building a framework that clarifies the role of internal audit in enhancing governance and reducing corporate risks in an integrated manner.

Internal audit

The concept of internal audit

Internal audit is one of the pivotal concepts in Contemporary Accounting and auditing, due to its role in strengthening governance, improving control and risk management within various types of organizations. Internal audit is defined as an independent and objective activity aimed at providing assurance and consulting services to improve governance, risk management and internal control processes and enhance the efficiency of corporate performance. [8]

Internal audit is defined as an independent control function that evaluates the effectiveness of control, governance and risk management systems in order to support management and achieve the organization's goals efficiently and transparently. [9]

Objectives of internal audit

Internal audit is a pivotal function in supporting governance and achieving organizational goals, as its main objective is to add value and improve the organization's operations by evaluating the effectiveness of risk management, control and governance [7]. Internal audit also focuses on enhancing the reliability of financial reports and early detection of deviations and operational risks, which contributes to raising the efficiency of corporate performance and achieving financial sustainability [10]. According to modern literature, the objective of internal audit is not limited to the traditional inspection of compliance, but extends to the provision of consulting and management services that support strategic decision-making within the organization, in addition to improving internal control systems and reducing the likelihood of fraud and error [7]. It is also seen as a tool for continuously assessing risks and directing management towards areas of high importance, which enhances the efficiency of resource allocation and the achievement of corporate goals [11]

Characteristics of internal audit

The characteristics of internal audit are characterized by a set of essential dimensions that determine its effectiveness within organizations, the most prominent of which are independence, objectivity, professionalism, in addition to the scope of work based on risk management and quality [12] Independence is a prerequisite to enable the internal auditor to provide an impartial assessment of control and governance systems without direct management influence. The characteristics of internal audit are also related to the auditor's ability to assess and improve the quality of internal control systems, relying on advanced professional skills and thorough examination procedures that contribute to enhancing the reliability of financial and management information [11]. In addition, modern internal audit focuses on a risk-based Approach that sets audit priorities according to the level of enterprise risk. The characteristics also include the quality of audit performance, which is influenced by factors such as the support of the Audit Committee, the follow-up system, the availability of qualified human resources, which leads to improving the effectiveness of internal audit in achieving governance goals [13]. Thus, internal audit has become an advisory and confirmatory function at the same time, contributing to raising the efficiency of corporate performance and enhancing transparency and control.

Internal audit standards

Internal audit standards are a set of professional guidelines developed by the Institute of internal auditors (IIA) with the aim of ensuring the quality of audit performance and raising its efficiency within organizations. These criteria include independence and objectivity, professional competence, professional due diligence, as well as performance criteria related to the planning and implementation of audit work [14]. The modern literature also confirms that internal audit standards are divided into quality criteria and performance criteria, where the first aims to determine the characteristics of the audit unit such as independence and organizational standing, while the second focuses on how to perform audit tasks such as risk management and internal control assessment [15]. On the other hand, studies show that compliance with international internal audit standards contributes to improving the quality of financial reports, enhancing transparency and reducing the risk of fraud, through the application of risk-based audit methodologies and continuous assessment of internal control systems [16]. Therefore, internal audit standards are not only an organizational

framework, but also a strategic tool to strengthen governance and improve corporate performance.

Tasks and responsibilities of the internal auditor

The tasks and responsibilities of the internal auditor are a set of control and advisory activities aimed at strengthening governance, improving the efficiency of operations and reducing risks within the organization. we review them as follows :

- a. Evaluation of internal control systems: the internal auditor examines and evaluates the effectiveness of the internal control system to ensure its ability to protect assets and ensure the accuracy of financial information, while making recommendations to improve weaknesses [17].
- b. Corporate Risk Management: his responsibilities include identifying and evaluating operational, financial and strategic risks, and proposing measures to reduce them in order to ensure the achievement of the organization's goals efficiently [7].
- c. Verification of compliance with laws and policies: the auditor makes sure that the organization complies with internal laws, regulations and policies, which enhances transparency and reduces legal and operational risks [18].
- d. Provide reports and recommendations to senior management: the internal auditor prepares objective reports that include the results of the examination and evaluation, with recommendations to improve performance and support management decision-making.
- e. Performing advisory functions: in addition to the supervisory role, the internal auditor provides advisory services to management in order to improve operational efficiency and raise the quality of institutional performance [7].
- f. Follow-up on the implementation of recommendations: the auditor follows up on the commitment of departments to implement recommendations to ensure continuous improvement.

Components of the effectiveness of internal audit

The components of the effectiveness of internal audit are a set of organizational and professional factors that ensure the ability of the audit function to achieve its objectives efficiently and effectively within the organization. Among them are :

- a. Organizational independence: independence is one of the most important elements of effectiveness, as it allows the internal auditor to carry out his work without direct administrative influence, which enhances the objectivity of the results and the accuracy of the evaluation [19].
- b. Professionalism and experience: the effectiveness of auditing is linked to the possession of internal auditors of high professional skills and specialized technical knowledge, which enables them to analyze risks and evaluate control systems accurately [7].
- c. Support for senior management and the audit committee: institutional support is a key factor in enhancing the effectiveness of the audit, by providing the necessary resources, facilitating access to information and promoting the implementation of recommendations [13].
- d. Relying on a risk-based approach methodology: this approach contributes to directing audit efforts towards high-risk areas, increasing the efficiency of resource allocation and achieving added value [13].
- e. The use of technology and digital analysis: the use of big data and analysis tools enhances the ability of internal audit to detect deviations and improve the quality of assessments [7].
- f. Effective communication with interested parties: continuous cooperation between the interna auditor, the audit committee and management contributes to improving the quality of decisions and strengthening governance [19].

Internal audit challenges

The internal audit function faces a set of contemporary challenges that affect its effectiveness and its role in supporting governance and risk management within organizations, the most prominent of these challenges can be summarized as follows:

- a. The breadth of responsibilities and the complexity of the business environment: the rapid development of the business environment and the emergence of new risks have led to the expansion of the role of internal audit, making it face increasing pressure to cover broader areas such as cyber risks, compliance and data management, which makes it more difficult to perform tasks efficiently [20].
- b. Lack of resources and specialized skills: the literature indicates that many internal audit units suffer from a lack of specialized professional competencies, especially in the areas of digital transformation and data analysis, which limits their ability to carry out their tasks according to modern standards [13].
- c. Stakeholder pressures and high expectations: the internal auditor faces increased expectations from senior management and audit committees to deliver added value and not just ensure compliance, which puts great pressure on the audit function to be both advisory and supervisory [20].
- d. Modern risk management challenges: current corporate risks are characterized by constant change and complexity, especially digital risks and electronic fraud, which makes it difficult for internal audit to develop effective methodologies to deal with them [21].
- e. Poor cooperation from operational departments: a common challenge is also the resistance of some departments to internal audits, which leads to difficulty obtaining the necessary information and delaying the implementation of recommendations.

In general, studies indicate that the success of internal audit depends on its ability to adapt to these challenges by developing its skills, adopting modern technologies, and enhancing its independence and organizational effectiveness.

Corporate governance

Corporate governance concept

Corporate governance is one of the modern management concepts that aims to regulate the relationship between management and stakeholders, and enhance transparency, control and accountability to improve institutional performance and financial sustainability. Corporate governance is defined as a system of rules, procedures and mechanisms that are used to guide and control companies in order to ensure a balance between the interests of management, shareholders and other stakeholders and promote transparency and accountability within the organization. [22]. Corporate governance is also defined as an organizational framework that determines how decisions are made within the company and the distribution of rights and responsibilities between the board of directors, executive management and shareholders, which contributes to achieving efficiency, reducing agency problems and enhancing institutional performance. [23].

Corporate governance objectives

Corporate Governance seeks to achieve a set of goals that enhance the efficiency and sustainability of institutions, the most prominent of these goals are the following:

- a. Enhancing transparency and disclosure: corporate governance aims to ensure the provision of accurate and clear financial and management information to stakeholders, which increases confidence in the organization and reduces cases of fraud and manipulation [24].
- b. Protecting the rights of shareholders and stakeholders: governance works to achieve a balance between the interests of management, shareholders, employees and other stakeholders, which contributes to reducing conflicts of interest and improving organizational relations.
- c. Improving institutional performance: governance mechanisms help to raise the efficiency of management and decision-making more effectively, which has a positive impact on the financial and operational performance of the organization [25].
- d. Strengthening accountability and control: governance aims to clearly define responsibilities and powers, and activate the role of the board of directors and audit committees to ensure effective control over administrative and financial performance [24].

- e. Reducing corruption and risks: corporate governance contributes to reducing the risks of fraud and administrative and financial corruption through the application of effective control systems and clear compliance policies.
- f. Achieving sustainability and long-term value: modern governance focuses on creating sustainable value for the enterprise and enhancing its competitiveness and sustainability in the long term [25].

Corporate governance principles

Corporate governance is based on a set of principles aimed at enhancing management efficiency, achieving transparency and protecting the rights of stakeholders. The most prominent of these principles are:

- a. Transparency and disclosure: it means providing accurate and timely financial and administrative information to all stakeholders, which contributes to raising the level of trust and reducing information asymmetry within the organization [26].
- b. Accountability: refers to the subordination of the board of directors and executive management to accountability for decisions and results, with effective control mechanisms in place to ensure the integrity of corporate performance [27].
- c. Justice and protection of shareholders' rights: it focuses on ensuring equality between shareholders and protecting their legal and financial rights, in addition to taking into account the interests of all stakeholders inside and outside the enterprise [28].
- d. Responsibilities of the board of directors: includes supervising the executive management, developing strategies and managing risks in order to achieve the objectives of the institution and its sustainability.
- e. Sustainability and risk management: modern governance emphasizes the need to integrate sustainability and risk control within management decisions to ensure long-term institutional stability [27].

Corporate governance implementation mechanisms

The mechanisms of implementing corporate governance are one of the basic tools that ensure the effectiveness of management and control within organizations, and contribute to enhancing transparency, accountability and achieving organizational sustainability. The most prominent of these mechanisms are:

- a. Activating the role of the board of directors: the board of Directors is one of the most important mechanisms for applying governance by supervising the executive management, developing strategies, monitoring performance and managing risks to ensure that the organization's goals are achieved efficiently [29].
- b. Formation of audit and internal control committees: audit committees contribute to strengthening financial integrity and control over accounting reports, in addition to supporting the independence of internal audit and improving the quality of financial disclosure [30].
- c. Implementation of internal control systems: organizations rely on internal control systems according to the COSO framework to control processes, reduce risks and detect administrative and financial deviations, which supports the effectiveness of corporate governance.
- d. Strengthening the independence of internal and external audit: the independence of auditors leads to raising the level of transparency, reducing financial manipulation and enhancing stakeholder confidence in financial reporting [31].
- e. Disclosure and transparency: effective governance depends on providing accurate, reliable and timely information to shareholders and stakeholders, reducing the information gap and enhancing institutional trust [29].
- f. Risk management and regulatory compliance: governance mechanisms help in monitoring operational and financial risks and ensure compliance with laws and regulations within the organization .

The relationship between internal audit and corporate governance

The relationship between internal audit and corporate governance is an integrative relationship, as internal audit contributes to enhancing the efficiency of control and risk management systems and achieving transparency, which supports the effectiveness of governance within organizations. This relationship is explained by several accounting and management theories, the most prominent of which are:

- a. Agency Theory: this theory believes that internal audit is a control tool that reduces conflicts of interest between management and shareholders, by monitoring performance and verifying the integrity of financial reports. The higher the quality of internal audit, the more effective corporate governance will be and the less the problem of information asymmetry [9].
- b. Corporate governance theory: affirms that internal audit is one of the basic pillars of governance; because it provides independent confirmation about the effectiveness of internal control, risk management and regulatory compliance, which helps the board of directors and the audit committee in making rational decisions [8].
- c. Stakeholder theory: this theory focuses on protecting the interests of all parties associated with the enterprise, not just shareholders. From this point of view, internal audit contributes to enhancing transparency and accountability and improving the quality of services and processes, in order to achieve trust between the organization and stakeholders [32].
- d. Stewardship Theory: this theory assumes that management pursues the goals of the organization collectively, and internal audit comes to support management, improve operational efficiency and add value, and not just control and punishment, which enhances the quality of corporate governance and performance [33].

Recent studies also indicate that the existence of an independent and effective internal audit leads to improving the quality of financial reports, strengthening the role of audit committees, and raising the efficiency of risk management, which positively reflects on the effectiveness of corporate governance and financial performance of the institution [34].

Institutional risk

The concept of corporate risk

Corporate risk is one of the basic concepts in modern accounting and management thinking, as it is related to the ability of an organization to face potential threats and achieve its strategic and operational goals in an uncertain business environment. Enterprise risk is defined as "an integrated process aimed at identifying, evaluating and managing risks at the enterprise level in a holistic manner; to ensure the achievement of goals and minimize possible negative impacts on performance and sustainability" [35]. It is also defined as "a set of internal and external risks that may affect the ability of an enterprise to achieve its goals, which require an integrated control and management system to identify, analyze and respond efficiently to them" [36].

Types of institutional risks

Corporate risk is one of the most prominent challenges facing modern institutions, as its sources and effects vary depending on the nature of the activity and the operational environment, so risk management aims to identify these types and reduce their negative effects on institutional performance.

Strategic risks: they are related to long-term decisions, competition and changes in the market, and may affect the organization's ability to achieve its strategic goals.

Operational risks: caused by poor internal processes, technical malfunctions or human errors.
Financial risks: include liquidity and credit risks, interest rate fluctuations, currencies and markets.

Compliance and law risks: arise due to non-compliance with laws, instructions and regulatory standards.

Reputational risk: occurs as a result of a decline in customer or investor confidence due to crises or administrative errors. [37].

Recent studies have also pointed to other types of institutional risks associated with recent transformations, including: Technological risks: they are related to cybersecurity and the failure of digital systems. Supply chain risks: caused by supply disruptions or suppliers. Environmental risks: include natural disasters and climate change. Geopolitical risks: caused by global political and economic crises. Human risk: associated with poor competencies or poor management and decision-making. [38].

Corporate Risk Management

Enterprise Risk Management is defined as an integrated management approach that aims to identify, analyze, evaluate and control the risks facing the organization in order to ensure the achievement of strategic goals and enhance the ability to face uncertainties. The study [35] explained that Enterprise Risk Management (ERM) represents a comprehensive framework that helps organizations to identify and manage potential risks in an integrated manner instead of managing them separately within each department, as it focuses on linking risk management with strategic objectives, improving decision-making process and raising the efficiency of institutional performance. [35]. The Tasmin and others study also showed that Enterprise Risk Management is an organized process aimed at identifying operational, financial and strategic risks, assessing their effects and developing mechanisms to reduce them, which contributes to enhancing operational performance and achieving institutional sustainability, especially in environments characterized by high risk and instability. [39].

The role of internal audit in risk reduction

Internal audit is one of the modern control mechanisms that contribute to reducing corporate risks by evaluating internal control systems, improving risk management, and supporting corporate governance. its role has been associated with several accounting theories, most notably the agency theory, corporate governance theory, and Stakeholder Theory. A study showed that internal audit plays a key role in reducing corporate risks by evaluating the effectiveness of internal control systems and early detection of errors and deviations, which is consistent with the agency's theory, which emphasizes the need for control mechanisms that reduce conflicts of interest between management and staff. Internal audit also contributes to enhancing the reliability of accounting information and improving operational and financial risk management. [40]. The [41] study also showed that internal audit within the framework of erm helps in identifying strategic and operational risks and providing independent assurances to senior management and the Audit Committee, and this is related to the theory of corporate governance, which sees internal audit as a tool to enhance transparency and accountability within the organization. The study confirmed that risk-based Internal Audit enhances the efficiency of decision-making and the ability to cope with crises. [41]. Another study indicated that risk-based internal audit contributes to improving the quality of audit and reducing the likelihood of corporate failure by focusing on high-risk activities, which is consistent with the stakeholder theory that emphasizes the importance of protecting the interests of all parties associated with the organization. Internal audit also helps to raise compliance efficiency and strengthen confidence in financial reports. [10].

The relationship between governance and risk management

Governance and risk management are interrelated concepts in modern accounting thinking, as governance aims to enhance control, transparency and accountability, while risk management seeks to identify potential risks and reduce their effects, and the interconnection between them is clearly shown through the theories of the agency, stakeholders and corporate governance. The Ugoani study explained that corporate governance constitutes the basic framework for activating Enterprise Risk Management, where the board of Directors is responsible for establishing effective risk management policies and ensuring the sustainability of the organization. This relationship is related to the theory of agency, which emphasizes the importance of control to reduce conflicts of interest between management and shareholders, as good governance helps to improve the efficiency of risk management and enhance organizational sustainability. [42] The study by [43] also showed that risk management is one of the main components of the corporate governance system, and the

presence of effective oversight committees and independent boards of directors contributes to enhancing financial performance and reducing uncertainties. This relationship is related to the theory of corporate governance, which asserts that effective corporate control supports rational decision-making and improves operational and financial risk management. [43] [44] pointed out that good governance plays a pivotal role in improving risk management, especially in financial institutions, by strengthening control over liquidity, credit and operational risks. This is consistent with the Stakeholder Theory, which emphasizes the need to protect the interests of all relevant parties through effective risk management, transparency and institutional stability. [44].

The applied aspect of research

Research community and sample

The research community is represented by employees in the internal audit, internal control, risk management and governance departments of the institutions under study, as they are the most relevant to the research variables and the most able to assess the role of internal audit in enhancing governance and reducing corporate risks. The research adopted the method of intentional sampling to select a group of experienced and knowledgeable workers in the fields of Internal Audit, Governance and risk management, to ensure obtaining accurate data reflecting the reality of practical application of research variables. The number of distributed questionnaires reached (130) questionnaires, including internal auditors, risk managers, governance officials, managers of supervisory departments, while the questionnaires valid for statistical analysis reached (120) questionnaires.

2. Materials and Methods

Research methodology and tools

The research adopted the descriptive-analytical approach in the theoretical aspect to present concepts related to internal audit, governance and corporate risks, and in the practical aspect to analyze the opinions of the research sample. The data were collected using a questionnaire designed based on the literature and previous studies, and included paragraphs according to the five-point Likert scale. The statistical methods used included iterations, arithmetic averages, standard deviation, cronbach's Alpha coefficient to measure constancy, regression analysis and correlation testing using IBM SPSS Statistics software.

3. Results and Discussion

Analysis of the demographic characteristics of the study sample

Table 1. Demographic characteristics of the research sample

Categories	Type	Number	Percentage
Years of experience	1-5 years	56	%46.7
	6-10 years	24	%20.0
	11-15 years	28	%23.3
	old More than 15 years	12	%10.0
Total		120	%100
Educational attainment	Bachelor	75	%62.5
	Masters	27	%22.5
	Ph. D.	18	%15.0
Total		120	%100
Functional nature	Internal auditors	48	%40.0
	Financial managers	24	%20.0
	Risk management officers	36	%30.0
	Directors of control departments	12	%10.0
Total		120	%100

The table was prepared by the researcher based on the results of the analysis using the SPSS-v29 program.

The results of the table indicate that the most representative category in terms of years of experience was the (1-5 years) category (46.7%), which indicates that the majority of respondents have relatively recent work experience, while the percentage of those with more than (15) years of experience reached (10%), which reflects an appropriate diversity in experience levels within the sample. The results also showed that Bachelor's degree holders made up the highest percentage of the sample by (60%), followed by the master's category by (25%) and then the doctorate by (15%). As for the functional nature, internal auditors accounted for the largest percentage by (40%), which corresponds to the nature of the research and its direct link to internal audit, followed by risk management officials by (30%), then financial managers by (20%), while the proportion of managers of control departments reached (10%). This functional diversity reflects the comprehensiveness of the sample and its ability to provide accurate data on the role of internal audit in strengthening governance and reducing corporate risks.

Measuring the reliability of the study tool

Table 2. Stability test (Cronbach's Alpha & Item-Total Correlation)

Phrases Internal audit in strengthening the principles of governance within organizations	Kronbach correlation coefficient and item-sum correlation coefficient	Phrases Internal audit in reducing corporate risks and improving the efficiency of internal control	Kronbach correlation coefficient and item-sum correlation coefficient
X1	0.849	Y1	0.836
X2	0.863	Y2	0.854
X3	0.880	Y3	0.874
X4	0.897	Y4	0.891
X5	0.916	Y5	0.909
X6	0.930	Y6	0.926
X7	0.948	Y7	0.940
X8	0.963	Y8	0.954
Cronbach Alpha Coefficient	0.921	Cronbach Alpha Coefficient	0.914

The table was prepared by the researcher based on the results of the analysis using the SPSS-v29 program.

The results of the stability test using the cronbach Alpha coefficient indicate that the questionnaire paragraphs have a high degree of internal consistency and statistical stability, as the value of the coefficient of total stability of the internal audit axis in strengthening the principles of governance within organizations (0.921), while the value of the coefficient of total stability of the internal audit axis in reducing corporate risks and improving internal control efficiency (0.914), which are high values exceeding the statistically acceptable limit of 0.70, which indicates the strength and stability of the measurement tool. The results of the correlation coefficient of the item with the total (part of the whole) also showed that all paragraphs achieved positive and high moral correlations, as the values in the first axis ranged between (0.849 – 0.963), and in the second axis between (0.836-0.954), which indicates a great homogeneity and consistency between paragraphs and their axes. Based on these results, it can be confirmed that there is a significant correlation of all the variables of the study, and the study tool actually measured what it was designed to measure, which reflects the fact that the questionnaire has a high degree of honesty and stability and its validity for application and statistical analysis. Testing honesty and constancy.

Table 3. Alpha-cronbach coefficient

Variables	Cronbach Alpha Coefficient
Internal audit in strengthening the principles of governance within organizations	0.921
Internal audit in reducing corporate risks and improving the efficiency of internal control	0.914
The questionnaire as a whole	0.918

The table was prepared by the researcher based on the results of the analysis using the SPSS-v29 program.

The results of the stability test using the cronbach's Alpha coefficient indicate that all the variables of the study have a high degree of stability and internal consistency, as the cronbach's Alpha coefficient for the internal audit axis in strengthening the principles of governance within organizations was (0.921), while its value for the internal audit axis in reducing corporate risks and improving internal control efficiency was (0.914), and the stability coefficient for the questionnaire as a whole was (0.918). These values are statistically high, as they exceeded the minimum acceptable in statistical studies of 0.70, which indicates that the questionnaire paragraphs are characterized by a high degree of internal consistency, and that the study tool is stable and reliable, and therefore it is valid for application and statistical analysis and capable of measuring the variables designed to measure accurately and objectively.

Normal distribution test

In order to define the statistical indicators for assessing the study hypotheses, the researcher used the Kolmogorov-Smirnova coefficient to measure the normal distribution of the data. The following table illustrates how the homogeneity of the data was additionally confirmed using the (Shapiro-Wilk) coefficient.

Table 4. Normal distribution

Statistical parameters		Governance enhancement dimension	Risk reduction dimensions
Dimension			
Kolmogorov-Smirnova	(Statistic)	0.071	0.068
	(DF)	120	120
	(Sig.)	0.200	0.200
Shapiro-Wilk	(Statistic)	0.981	0.978
	(DF)	120	120
	(Sig.)	0.087	0.074

The table was prepared by the researcher based on the results of the analysis using the SPSS-v29 program.

The results of the Kolmogorov-Smirnova test and the Shapiro-Wilk test showed that the values of the statistical significance level (Sig. The statistical significance values in the Kolmogorov-Smirnova test were (0.200) for both the governance enhancement variable and the risk reduction variable, while in the Shapiro-Wilk test they were (0.087) and (0.074), respectively. These results indicate that the data follow the normal distribution, which confirms their validity for the use of parametric statistical tests for the analysis and testing of study hypotheses. The results also reflect a high degree of homogeneity and consistency between the responses of the study sample, which indicates the stability of the data and the absence of fundamental discrepancies affecting the accuracy of the statistical results. Based on this, it can be confirmed that the study sample is statistically homogeneous, and the data has characteristics suitable for statistical analysis and drawing conclusions in a scientifically accurate and reliable manner.

Descriptive statistics of search variables

There is a significant impact of internal audit in strengthening the principles of governance within organizations.

Table 5. Descriptive statistics of the paragraphs of the first axis

Paragraphs	questionnaire paragraphs	arithmetic mean	standard error	standard deviation	relative importance
1	The independence of internal audit from executive departments contributes to enhancing transparency within the organization and improving the application of governance principles.	4.31	0.08	0.84	86.2
2	The internal auditor's impartiality and independence helps to strengthen management accountability and reduce organizational excesses.	4.25	0.07	0.79	85.0
3	The competence and professional experience of internal auditors contribute to the promotion of effective control and the achievement of corporate governance goals.	4.40	0.06	0.71	88.0
4	The efficiency of internal audit helps to improve the level of disclosure of financial and administrative information in support of the governance system.	4.18	0.09	0.92	83.6
5	Compliance of internal audit with professional standards contributes to enhancing transparency and credibility in the presentation of information within the organization.	4.36	0.07	0.81	87.2
6	Adherence to professional standards of internal audit leads to enhanced accountability and improved follow-up of managerial and organizational performance.	4.22	0.08	0.86	84.4
7	The quality of internal audit procedures contributes to enhancing the effectiveness of internal control and supporting the application of governance principles	4.45	0.05	0.66	89.0
8	The quality of internal audit procedures helps to improve the	4.29	0.07	0.78	85.8

	disclosure of risks and material information in order to enhance confidence in the corporate governance system.				
The first axis impact of internal audit in strengthening governance		4.31	0.07	0.80	86.2

The table was prepared by the researcher based on the results of the analysis using the SPSS-v29 program.

The results of the table indicate that there is a high level of agreement among the members of the research sample about the positive role of internal audit in strengthening the principles of governance within organizations, as the total arithmetic average of the axis reached (4.31) and relative importance reached (86.2%), a high percentage reflects the awareness of the respondents of the importance of internal audit in supporting transparency, control, accountability and disclosure within the organization. The results also showed a decrease in the values of the standard error, which indicates the closeness of the respondents' answers and their statistical consistency. The results showed that the paragraph on "the quality of internal audit procedures in enhancing the effectiveness of internal control and supporting the application of governance principles" came in first place with an arithmetic average of (4.45) and relative importance (89%), which indicates the respondents' conviction of the importance of the quality of audit procedures in achieving effective control and improving governance practices. On the other hand, the paragraph on "improving the level of disclosure of financial and administrative information" came in relatively last place with an arithmetic average (4.18), although it remains within the high level, which reflects the need to develop institutional disclosure mechanisms and link them more with internal audit functions. The results also confirm that the independence of the internal auditor and his commitment to professional standards directly contribute to enhancing transparency and accountability, which supports the acceptance of the first sub-hypothesis, which states that there is a statistically significant impact of internal audit in strengthening corporate governance principles.

There is a significant impact of internal audit in reducing corporate risks and improving the efficiency of internal control.

Table 6. Descriptive statistics of the paragraphs of the second axis

Paragraphs	questionnaire paragraphs	arithmetic mean	standard error	standard deviation	relative importance
1	The independence of internal audit contributes to improving the process of identifying potential corporate risks within the organization	4.27	0.08	0.82	85.4
2	The independence and impartiality of internal audit helps to assess corporate risks objectively and accurately	4.33	0.07	0.76	86.6
3	The efficiency of internal audit and the expertise of auditors contribute to enhancing the speed of response to corporate risks and reducing their negative effects	4.41	0.06	0.69	88.2
4	The efficiency of internal audit helps to establish effective control procedures that contribute to reducing the impact of enterprise	4.36	0.07	0.74	87.2

	risks on the performance of the enterprise				
5	Compliance of internal audit with professional standards contributes to improving the accuracy of identifying and monitoring corporate risks on an ongoing basis	4.29	0.08	0.83	85.8
6	Compliance with professional standards of internal audit enhances the efficiency of Enterprise Risk Assessment and making appropriate decisions on it	4.22	0.09	0.88	84.4
7	The effectiveness of internal audit procedures contributes to enhancing the organization's ability to respond to potential corporate risks	4.47	0.05	0.64	89.4
8	Effective internal audit procedures help to reduce the financial and administrative consequences of corporate risks	4.38	0.06	0.71	87.6
The second axis Internal audit in reducing corporate risks		4.34	0.07	0.76	86.8

The table was prepared by the researcher based on the results of the analysis using the SPSS-v29 program.

The results of the table indicate that there is a high level of agreement among the members of the research sample on the effectiveness of internal audit in reducing corporate risks and improving the efficiency of internal control, as the overall arithmetic average of the axis reached (4.34) with a relative importance of (86.8%), a high percentage reflects the conviction of the sample members of the pivotal role of internal audit in supporting regulatory systems and risk management within organizations. Also, the low values of the standard error and the standard deviation indicate a high degree of consistency and homogeneity in the answers of the respondents. The results showed that the paragraph on "the effectiveness of internal audit procedures in enhancing the organization's ability to respond to potential institutional risks" achieved the highest arithmetic mean (4.47) and relative importance (89.4%), which indicates the respondents' awareness of the importance of audit procedures in enhancing organizational readiness to face risks. The paragraph "internal audit efficiency and auditors' expertise in enhancing the speed of response to risks and reducing their negative effects" also came in second place with an arithmetic average (4.41), which highlights the importance of professional experience and technical competence in supporting enterprise risk management. On the other hand, the paragraph on "enhancing the efficiency of Enterprise Risk Assessment and making appropriate decisions on it" recorded the lowest relative arithmetic average (4.22), but it remained within the high level, which indicates the need to develop risk assessment tools and link them more to modern professional standards of internal audit. In general, the results confirm the validity of the second sub-hypothesis, which states that there is a significant impact of internal audit in reducing corporate risks and improving the efficiency of internal control.

Correlation analysis to study the relationship between research variables

The Pearson correlation coefficient was used to study the relationship between internal audit, governance and corporate risk.

Table 7. Pearson correlation coefficient between study variables

Variables	internal audit	corporate governance	corporate risk
internal audit	1.000	** 0.841	**0.796
corporate governance	**0.841	1.000	**0.773
corporate risk	**0.796	**0.773	1.000
Statistical significance level: D is statistically significant at a significant level ($0.01 \geq \text{Sig}$)			

The table was prepared by the researcher based on the results of the analysis using the SPSS-v29 program.

The results of the Pearson correlation coefficient indicate that there is a strong positive correlation between internal audit and corporate governance, as the correlation coefficient reached (0.841), which indicates that enhancing the effectiveness of internal audit directly contributes to improving the application of governance principles within organizations. The results also showed that there is a strong positive correlation between internal audit and Enterprise Risk Reduction amounting to (0.796), which reflects the active role of internal audit in supporting internal control systems and improving enterprise risk management. The results also showed a positive correlation between corporate governance and corporate risks amounting to (0.773), which indicates that the application of good governance principles contributes to enhancing the institution's ability to face risks and reduce their negative effects. These results confirm the existence of statistically significant relationships between the study variables, which supports the research hypotheses related to the impact of internal audit in enhancing governance and reducing corporate risks.

Testing and analysis of Research variables

A-testing the first hypothesis

To test the first sub-hypothesis, the Test (T for one sample – One Sample T-Test) was used to compare the arithmetic mean of the respondents' answers with the hypothetical average of scale (3) in the five-point Likert scale, in order to find out there is a statistically significant impact of internal audit in strengthening the principles of governance within organizations

Table 7. Testing the first sub-hypothesis using the (T)test

Statistical indicators	Estimated parameters
Arithmetic mean	4.31
Standard deviation	0.80
Standard error	0.073
Differences of means	1.31
Hypothetical arithmetic mean	3.00
Degree of freedom	119
(T-Test) calculated	17.95
(T-Test) Tabular	1.980
Moral significance	0.000
The decision	accept the hypothesis

The table was prepared by the researcher based on the results of the analysis using the SPSS-v29 program.

The results of testing the first hypothesis using the (T-Test) Test for one sample showed that the arithmetic mean of the axis reached (4.31) compared to the hypothetical arithmetic mean of (3.00), with a difference of averages of (1.31), which indicates a high level of respondents' responses to the role of internal audit in promoting the principles of governance within organizations. The calculated (T) value also reached (17.95), which is greater than the tabular (T) value of (1.980) at (119) degrees of freedom, while the value of the statistical significance level reached (0.000) and is lower than the moral level (0.05), which indicates the presence of statistically significant differences. Accordingly, the first hypothesis is accepted, which confirms that internal audit plays an influential role in strengthening the principles of governance within organizations and contributes to supporting transparency, accountability and organizational control.

Testing the second hypothesis

" there is a statistically significant impact of internal audit in reducing corporate risks and improving the efficiency of internal control " the Test (T) was used for One sample – One Sample T-Test by comparing the arithmetic mean of the sample answers with the hypothetical average of scale (3) in the five-point Likert scale.

Table 8. Testing the second sub-hypothesis using the (T)test

Statistical indicators	Estimated parameters
Arithmetic mean	4.34
Standard deviation	0.76
Standard error	0.069
Differences of means	1.34
Hypothetical arithmetic mean	3.00
Degree of freedom	119
(T-Test) calculated	19.42
(T-Test) Tabular	1.980
Moral significance	0.000
The decision	accept the hypothesis

The table was prepared by the researcher based on the results of the analysis using the SPSS-v29 program.

The results of testing the second hypothesis using the (T-Test) Test for one sample showed a high level of agreement among the study sample members on the role of internal audit in reducing corporate risks and improving internal control efficiency, as the arithmetic mean reached (4.34) compared to the hypothetical arithmetic mean of (3.00), with a difference of averages of (1.34). The calculated T-Test value also reached (19.42), which is greater than the tabular t-Test value of (1.980) at a degree of freedom (119), while the statistical significance value reached (0.000), which is lower than the moral level (0.05). These results indicate that there is a statistically significant moral impact of internal audit in reducing corporate risks and improving the efficiency of internal control, which supports the acceptance of the second hypothesis and emphasizes the importance of internal audit in strengthening control and reducing organizational risks.

Discussion of results

The results of the study indicate that there is an influential and statistically significant role of internal audit in strengthening the principles of governance within organizations, reducing corporate risks and improving the efficiency of internal control, which was proved by the statistical results that showed the high arithmetic averages of the first axis (4.31) and the second axis (4.34), as well as the high relative importance ratios of (86.2%) and (86.8%), respectively. Regarding the interpretation of the results and linking them to the hypotheses and objectives of the research, the results supported the first hypothesis that there is a statistically significant impact of internal audit in strengthening the principles of governance within organizations, as the calculated T-value (17.95) was higher than the tabular value (1.980), with a significance level (0.000). The results also supported the second hypothesis related to the existence of a moral impact of internal audit in reducing corporate risks and improving the efficiency of internal control, where the calculated T-value was (19.42) with an indicative level (0.000). The results of the correlation analysis also showed a strong positive correlation between internal audit and corporate governance amounting to (0.841), as well as a positive correlation between internal audit and corporate risk amounting to (0.796), which indicates that activating internal audit functions leads to improving control practices and strengthening risk management systems. These results are consistent with the findings of previous studies contained in the research, as they were consistent with the study (Ma,2021), which confirmed that internal audit adds value to corporate governance by improving control and transparency, and also agreed with the study (Kaawaase, 2021), which indicated that the quality of internal audit positively affects the quality of financial reports and governance. The results were also consistent with a study (Onay,2020) that confirmed the importance of Risk-Based Internal Audit in improving the efficiency of Enterprise Risk Management. From a scientific point of view, these results can be interpreted in the light of agency

theory, corporate governance theory and Stakeholder Theory, as the internal audit function acts as a control mechanism that reduces conflicts of interest, enhances accountability and transparency, and provides more reliable information to management and stakeholders. The scientific importance of the study is to strengthen the literature on internal audit and its relationship with governance and risk management, while its practical importance is to help organizations develop internal audit units, raise the efficiency of internal control and make more effective decisions. One of the results worth noting is that some paragraphs related to financial disclosure and risk assessment recorded relatively lower averages compared to the rest of the paragraphs, despite remaining at a high level, which indicates a need to develop disclosure mechanisms and improve risk assessment tools within organizations. As for the limits of the study, it was limited to a sample of (120) individuals working in Internal Audit, Control and risk management, and relied on the questionnaire as the main tool for data collection, as well as the application is limited to a specific institutional environment, which may limit the possibility of generalizing the results to other sectors and institutions.

4. Conclusion

Conclusions

The study was summarized from a set of conclusions including :

- a. the results of the study showed a statistically significant impact of internal audit in strengthening the principles of governance within organizations, by supporting transparency and accountability and improving the effectiveness of internal control.
- b. The results showed that the independence of internal audit and its commitment to professional standards contribute to raising the quality of reports and enhancing confidence in financial and administrative information within the organization.
- c. The study confirmed the existence of an effective role of internal audit in reducing institutional risks by identifying and evaluating risks, improving the speed of response to them and reducing their negative effects.
- d. The results of the correlation coefficient showed a strong positive correlation between internal audit and corporate governance amounting to (0.841), and between internal audit and corporate risk amounting to (0.796), reflecting the integration between control, governance and risk management.
- e. The results showed that the efficiency of internal audit procedures directly contributes to improving the efficiency of internal control and enhancing the institutional capacity to face organizational and operational risks.
- f. The study revealed that there is a need to develop financial disclosure mechanisms and risk assessment tools, despite the high levels of agreement on the effectiveness of internal audit in these areas.

Recommendations

The researcher recommends a set of recommendations, including :

- a. Enhancing the independence of Internal Audit units and linking them administratively with audit committees or senior management to ensure impartiality and objectivity in the implementation of oversight tasks.
- b. Developing the skills of internal auditors through continuous training in the areas of risk management, risk-based audit, and digital analysis.
- c. Supporting the application of corporate governance principles by enhancing transparency and disclosure and activating accountability within institutions.
- d. Improving risk management and internal control systems through the adoption of modern methodologies to identify, assess and monitor risks on an ongoing basis.
- e. Adopting modern technologies and digital systems in internal audit work to improve the efficiency of analysis and early detection of deviations and risks.
- f. Strengthen cooperation between internal audit and operational departments to ensure the rapid implementation of recommendations and achieve continuous improvement.

Proposals for future studies

Based on the findings of the researcher, he recommends conducting some future studies, including:

- a. Conducting future studies on the impact of digital transformation and artificial intelligence in developing the effectiveness of internal audit and Enterprise Risk Management.
- b. Studying the relationship between internal audit and corporate sustainability and its role in enhancing environmental and social governance within modern institutions.

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