

Developing Audit Work and Achieving Added Value

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September 2018

**The Twelfth Scientific Research Competition of the
Arab Organization of Supreme Audit Institutions**

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

In the name of Allah, the most gracious, the most merciful.

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Summary

The aim of this research is to investigate the relationship between developing audit work and the added value resulting therefrom, whether at the level of internal audit work conducted by the audited entity (internal audit work) or audit work conducted by the audit organization itself (external audit work) which includes government audit institutions as well as private audit organizations. The research covers the role of audit and non-audit directorates within the organizational structure of the audit organization in enhancing audit work to achieve the desired added value. After researching the issue, it became clear that enhanced audit work is the result of supporting and developing the operation of the various directorates in the audit organization and the audited entity itself. The various directorates have a direct and indirect influence on the audit work development in the organization, for instance, the Financial Resources Directorate provides the required budget and financial support for the organization's financial needs; the Information Technology Directorate provides devices, technology, applications, technical support and the necessary training for the use of the various devices and applications by the organization's employees; and the Public Relations Directorate in its various functions provides information, explanations, assurances, evaluations etc. With regard to audit directorates in organizations, it is explained that the development of audit work requires first clarity about the role of audit (internal or external) itself. Based on the clarification of the role of audit the axes of developing audit work are built by which the added value serving the strategic objectives for the audited entity or the audit organization will be achieved. Accordingly, it is concluded that in order to develop audit work, attention should be given to all directorates in the organizational structure of an audit organization, which includes its audit

directorates. The role of each directorate in achieving the desired goals of audit work is defined, relevant axes in the establishment and development of audit work are identified in order to achieve added value at different levels and in various degrees to serve the strategic and general goals of the organization.

Introduction

1- General Framework of the Research Topic:

All systems, regardless of their performance and effectiveness, need to advance to meet the demands of global developments and future challenges in general and the requirements of system users in particular. Audit work is a system that aims at fulfilling user needs any time and in any place. In order to achieve the desired goal of maximum benefit, user satisfaction and added value, the system needs to be constantly enhanced. The expectation that added value is increased as a result from the continuous development of audit work is shared by all organizations affected by audit work, namely audited entities and audit organizations. The audited entities expect that audit work will help improve their work and achieve their strategic goals, while the audit organization expects that further developing audit work will enhance the experience and knowledge of the audit organization, and ultimately increases the quality of audit work which adds value. The added values resulting from audit work should be understood. The goals and benefits of audit work are not only limited to enhancing the importance of the professional role of an auditor, but it also enhances the importance of his role with the audited entities. This facilitates the process of cooperation between the audit organization and the audited entities, whether in terms of understanding or providing information required for auditing and more.

2- Research Problem:

The most important challenges currently facing audit organizations are the establishment of a comprehensive audit system in terms of efficiency and effectiveness, ensuring enough flexibility to keep pace with future challenges and changes, and enabling government, the state and the audited entities to achieve

their aspirations. The role of audit organizations is not simply carrying out its audit function but to do so in an effective manner to achieve added value for all.

Accordingly, the scientific material will address the following questions:

- What is the concept of an audit system? What is added value?
- How can elements of an audit system be developed to meet challenges and needs?
- Is the process of developing an audit system only limited to audit directorates in an audit organization? Or is this a role played by all directorates in the organizational structure of an audit organization?
- What does “audit system” mean? Is it a system imposed from within the audited entity? Or is it an internal and at the same time an external system?
- What are the most important criteria for the quality of audit work? What are the professional and personal characteristics that an audit system and its employees must have in order to achieve the principle of added value?
- What are the most important added values for the audit organization and what are the most important added values for the audited entities?

3- Research Importance:

The importance of the research lies in focusing on the stages of establishing an audit system, developing the system and audit work to achieve added value, knowing the relationship between audit system and audit work and the types of added value resulting from the development of the audit system.

4- Research Objective:

The objective of the research is to identify the most important methods to create a flexible audit system that allows the user to change and develop it, and to

identify the most important approaches used in developing audit work systems leading to added value reflected in the results of the audit work and its elements.

5- Research Limits:

The research will be limited to identifying the concepts of an audit system, its quality and the added values resulting from it. To define them, the audit system will be examined at two levels: the first level is the audit system established by the audit organization (the term "audit organization" used in this research refers to state audit organizations overseeing government entities and private audit organizations overseeing the private sector). The second level will include the audit system established by the audited entities (the term "audited entities" is a general term that refers to all government agencies and entities subject to audit by the state audit organizations as well as private companies, institutions and businesses subject to audit by private audit organizations). The same applies to the limits and levels of added values resulting from the audit system.

6- Research Method and Structure:

In the first chapter of this research, we will seek to clarify the most important concepts and definition of audit work, audit system and added value, and the relationship between the audit system and achieving added value.

The second chapter discusses the importance of developing audit work with reference to an audit organization and the relationship between non-audit and audit directorates in terms of developing an audit system and achieving added value. Furthermore, it examines the importance of developing audit directorates within an audit organization, and finally the importance of developing audit systems at external audit entities.

Chapter One: Definitions and Concepts

“We pay a high price due to our fear of failure. It is a major obstacle to development that narrows the mind of person and limits exploration and experimentation, there is no knowledge without difficulty and experience of right and wrong If you want to continue to know, you must be prepared throughout your life to face the danger of failure. ”(John Gardiner - journalist and writer from United Kingdom)

To get a better grasp of the concept of audit work and how to achieve added value, we must first look at the most important concepts and definitions then discuss the correlation between creating and developing audit work to achieve added value.

First: The concept and definition of “Audit Work”:

The word “audit” is defined in the Arabic dictionary as “controlling and supervising work”, for example, the head of the factory’s quality department monitors the demand mechanism and checks the quality of the materials used in the factory. In the English language, the concept of “audit work” can be expressed using several words, perhaps the most important of which is the word "monitoring" which means "monitoring and checking the mechanism of workflow or quality during a specific period of time and periodically", for example, the bi-monthly review of the factory workflow mechanism to verify compliance with schedule and quality.

If we want to define “audit” in terms of work, we must first consider that in this case it is divided into three types:

Performance Audit: aims to establish the standards of effectiveness, efficiency and economy in the performance of audited entities.

Regularity Audit: Refers to financial and compliance audit.

Administrative Audit: aims to verify the proper management of public funds, the integrity and appropriateness of administrative procedures, the optimal use of state facilities, and examines and reviews decisions regarding appointments and promotions, granting of bonuses, salaries and other matters related to human resources.

Second: The Concept and Definition of “Developing Audit Work”:

The word “development” is defined in the dictionary of the Arabic language as “modification and improvement to what is better”, and its verb is “develop”. In the Cambridge English Dictionary, the word "development" means "the process in which a person or something grows or changes and becomes more advanced."

In audit work, the development process includes several stages and parts, all linked together, which will be discussed in a later paragraph.

Third: The Concept and Definition of “Added Value”:

The word "added value" is defined as "the added value created during a specific stage of production or through marketing", as defined by the French National Institute of Statistics and Economic Studies. In neoclassical economics, or its followers known as modern classics, such as Milton Friedman, especially at the macroeconomic level, the meaning of “added value” refers to the contribution of production elements (labor, land, and capital) to the increase in value of a particular product.

Added value can be linked to the development of audit work, because each development is supposed to create added value which is why the development process is started in the first place. This will be discussed in subsequent paragraphs in this research.

Fourth: The Relationship between Developing Audit Work and Achieving Added Value:

Generally, every work performed by an individual has an outcome, and audit work is no different. One of the major results achieved by audit work is added value. The extent to which added value is achieved depends on the total quality of the audit work. Therefore, it can be concluded that the relationship of audit work and the achievement of added value can be expressed by the following equation:

$$\text{Added Value} = \text{Audit Work} + \text{Quality of Audit Work}$$

The "development" component is an important element that should not be overlooked in the above equation, as it applies to the development of the two components mentioned in the equation: the development of audit work, and the development of the quality of audit work. By introducing the development component, added value increases with development. Hence the effect of the development component can be expressed by the following equation:

$$\text{Added Value} = \text{Audit Work} + \text{Quality of Audit Work} + \text{Development of Audit Work} + \text{Development of Quality of Audit Work}$$

Therefore, development allows us to achieve maximum added value with the available resources.

The above will be covered in detail in the subsequent paragraphs.

Chapter Two: Developing Audit Work in Audit Organizations and in Audited Entities to achieve Added Value

“Who learns a lot about others may be educated, but who understands himself is more intelligent; and who controls others may be powerful, but whoever controls himself is more powerful.” - Lautsu Tautei King

Section One: Development of a System of Support Directorates in Audit Organizations and its Relationship to the Audit System:

It is indisputable that developing audit work in audit organizations is the cornerstone for achieving any added value in audit work. An organization is a comprehensive system that includes all parts of the organization's administrative structure. The Human Resources directorate has a system for appointing and promoting employees, reviewing attendance and controlling leave, etc. The Financial Resources directorate has a system for determining wages and salaries, bonuses and financial incentives, etc. The Information Technology directorate, which some may think plays only a small role in audit organizations, supplies one of the most important foundations for conducting audit work. It provides a system to protect highly confidential information of the audit organization and plays an important role in providing modern technology to conduct audit work in the most efficient and effective manner. Furthermore, it offers subsequent continuous support services.

The systems mentioned above are sub-systems that represent the cohesion and resilience, the strength and flexibility of the overall system of an audit organization. The process of their establishment and ongoing development should be part of an audit organization's strategy, and all its members should contribute to this process.

In this chapter, we will shed light on the development of the organizational structure of an audit organization and its impact on achieving internal added value for the audit organization.

In general, if we look at the organizational structure of any audit organization, we will see that it mainly consists of the following support directorates:

- Human Resources
- Financial Resources
- Information Technology
- Public Relations

Each of the above-mentioned directorates has a role in the development of an audit system and achieving added value, albeit indirectly. The role of each of the above-mentioned directorates in creating an audit system, developing it, and hence adding value will be highlighted.

First: The Role of Human Resources

“The secret of my success is that I always knew my weaknesses as much as I know my strengths.” - Ghazi Al-Qossabi, Life in Administration

Human Resources manages the workforce of an organization. It specializes in attracting employees, selecting, training, evaluating and rewarding them, as well as monitoring the organization’s leadership and organizational culture and ensuring compliance with labour laws. In cases where employees are willing to conduct collective negotiations, Human Resources is primarily the medium of initial contact with employee representatives (usually trade unions). Dave Ulrich lists the functional roles of Human Resources as follows: aligning human resources and business strategies, reorganizing and restructuring processes, listening and responding to employees as well as managing transfers and changes (1). Since

human capital in general is the most important resource for any organization, the process of recruiting and training staff has become one of the most important and challenging development processes in any audit organization, especially when trying to keep up-to date with current global and technological challenges.

Human Resources' fundamental task is to define general management policies which are part of the organization's business charter. The charter must be realistic in identifying actual needs and solutions, and flexible enough to cope with future changes of the current world. What is the role of these policies in contributing to and developing an audit system? To answer this question, each part of these policies will be addressed separately:

First: Policy of attracting employees

Recruiting employees is the largest investment an organization makes. Like any investment it should be considered and evaluated carefully in order to obtain a high return. Human Resources should establish clear and specific evaluation criteria in order to attract highly qualified manpower. These procedures start with determining the type of qualifications required for each job position, as well as the type of interviews and exams candidates are to be subjected to in order to fill certain positions. Human Resources has to constantly develop these procedures by identifying previous problems in attracting the right person to the right job, and whether specific employment criteria are still valid. Therefore, Human Resources must regularly prepare and distribute questionnaires to senior management, especially to the directors of the concerned departments, to find out the actual value of the "investment" and their satisfaction with the new employees after one year of joining the organization. This will assist Human Resources in developing procedures for appointing top employees, which will add value to the productivity of the different directorates.

Second: Policy of determining salaries and wages:

If we consider that the recruitment of human resources is an investment made by an audit organization, then in contrast, salaries, wages and rewards that an employee receives in return for doing his work is an investment that an employee makes for himself. Accordingly, there are two types of investment:

- The audit organization's investment in recruiting employees.
- The employee's investment in applying himself, his time and skills to the organization and receiving remuneration for it.

When determining wages and bonuses, an audit organization must specify the following:

- What is the average salary specified in the labour market for the different types of jobs?
- What are the rewards that motivate employees to be productive and competitive?
- Does the nature of the work require employees' salaries to be higher than the average salary in the labour market?
- How to establish a system of wages, salaries and rewards based on annual employee performance?

After determining job benefits and rewards, Human Resources produces a framework and approved schedule for each job position. Then comes the role and the factor of development, and this role lies in two axes:

The first axis: at employee level: Employees' satisfaction with salaries and bonuses is measured periodically and the validity of the data is established. Against this background it is determined whether there is a reason to amend the salary scale and

bonus structure, and whether this would lead to increased job satisfaction and consequently improved job performance of employees and added value at work.

The second axis: at labour market level: After establishing the ceiling of salaries and bonuses, Human Resources must continuously monitor the level of salaries and wages in the labor market to decide whether it needs to be amended in order to avoid employee dissatisfaction with regard to salaries and bonuses obtained from the organization. Consequently, the process of measuring and developing the salary and bonuses' scale leads to avoiding employee dissatisfaction or rather maintaining their job satisfaction, which creates a healthy work environment.

Third: Training Policy:

The development process depends on the training methodology followed by Human Resources. Training represents the largest engine for development and is an important factor in achieving considerable added value for the audit organization. Training programs devised by the Training Department within in Human Resources, especially if they are conceived in a thoughtful and proper manner, lead to achieving expected added value, and sometimes this expected added value may even be exceeded.

The benefits of training for the organization are at two levels:

First: At the organization's level:

- Improving the organization's profitability and productivity.
- Improving work knowledge and skills at all levels.
- Improving employee morale.
- Helping employees learn about organizational goals.
- Improving the quality of production and increasing its quantity.

- Cost analysis in the technical and administrative fields.
- Developing an environment conducive to growth and communication among the workers of the organization.
- Cost savings.

Second: At employee level:

- Helping employees make better decisions and improve their ability to solve problems.
- Helping them overcome anxiety, stress, alienation and conflict.
- Providing employees with good information on how to improve their leadership skills, communication and directions.
- Opening the way to promotion and progress.
- Reducing employees' errors and work accidents.
- Building good skills in work, speaking and listening.
- Deepening a sense of job satisfaction and achievement.
- Reducing work turnover as a result of increased continuity and stability in the lives of workers (2).

All benefits listed above achieve added value as the audit employee gains and develops personal skills such as communication skills and working within a team. In addition to gaining and developing personal skills, the employee also improves professionally through training courses related to audit systems and international standards and being constantly encouraged by Human Resources to continue his professional studies for practical benefits.

Second: The Role of Financial Resources

"Money is like oxygen, as we don't feel its importance when it is available, but it becomes the only thing we think about and want when it isn't there" - Warren Buffett

Financial Management can be defined as "the financial decision-making process for determining the sources of funds available for the project to be used in appropriate investment aspects with the aim of maximizing wealth and increasing the value of the project."

Accordingly, the role and importance of Financial Resources lies in the fact that it provides the financial source for an audit organization's projects, whether they are short or long term. Therefore, good planning and use of financial resources ensures long-term sustainability of the audit organization.

In every business organization, audit systems require financial resources for their establishment, clear policies on how to manage the financial resources available, as well as prudent use of the allocated budget to cope with expected and emergency expenses. Therefore, the establishment of a sound, flexible and strong financial system is one of the most important elements supporting audit systems. But what are the consequences of establishing financial systems?

After establishing the financial system, this system is introduced in the developmental stages that guarantee the audit establishment not only its continuity but also its support to the challenges it may face. Developing financial management lies mainly in the financial budget axis, which is represented in the following:

After the audit organization's budget is determined, expenditures are monitored periodically to verify whether they are within the planned budget and to measure the degree of deviation of actual expenses from the approved budget. The organization

periodically develops and improves the planned annual budget in order to save expenses or increase revenue. This allows achieving added value of providing an additional budget that meets future expansion needs of the audit organization.

The added value of developing a financial system achieves the following added benefits:

- Meeting the necessary requirements for increasing salaries and bonuses for employees to increase the level of productivity.
- Providing the organization with the ability to increase its audit portfolio represented by the number of bodies it can audit from year to year while maintaining high quality in its audit capabilities.
- Meeting the needs of support directorates such as Human Resources, Information Technology and others. For example, Information Technology requires the support of Financial Resources if it wants to purchase or develop a data storage or data protection system etc., or purchase or develop technological components of the audit system, depending on how far advanced the audit organization is.

The above is a simple summary of the role of Financial Resources in the audit system and the importance of its development in achieving added value.

Third: The role of Information Technology

The Information Technology Directorate is defined as the management that provides the vision and leadership in providing all information technology related services. It establishes strategies and policies related to information technology for the whole organization as well as plans, implements and supervises all projects related to information technology applications according to standards of technical excellence. In addition, it provides computer devices and related devices (printers, scanners) and

ensures that they work according to the system and quality requirements, as well as computer applications and software used by the organization. It provides support for the information technology and communication infrastructure and designs and maintains the internet system and the organization's network and updates them continuously. It sets the strategy for the e-government program at the organization's level, and lays out the work program and executive plans, and supervises them to ensure that they are in line with the strategic goals of the General Information Authority.

It is indisputable that information technology and technology in general have become the cornerstone of all audit work. The speed of completing audit work, the quality of data storage and data protection systems, the management of audit work, and work completion of support directorates and others are related to the quality and system of Information Technology's work. The points mentioned above are considered added value achieved by Information Technology.

Regarding the importance of information technology, the following topics will be discussed:

- The importance of information technology.
- The importance of computers for audit and financial applications.
- The impact of information technology on internal audit activity.
- Audit and financial information characteristics.
- Technology characteristics of audit and financial information.
- The advantages of using technology in internal audit.

First: The importance of information technology:

"The advance of technology is based on making it fit in so that you don't really even notice it, so it's part of everyday life." - Bill Gates

The world of information technology and the accompanying scientific and technical progress and qualitative change in the fields of knowledge have become enormous. Information technology and its tools provide the technical basis to start in business. It has become the main catalyst for business activities in today's world, due to its capacities and capabilities, which are:

- a- Carrying out large-scale and fast digital calculations.
- b- Providing fast, accurate and cheap communication within organizations.
- c- Storing large amounts of information in a small, accessible place.
- d- Allowing fast and cheap access to large amounts of information throughout the world.
- e- Increasing the effectiveness and efficiency of people working in groups, whether in one site or in several sites.

Accordingly, a computer is a sophisticated tool controlled by a delicate and sensitive electronic system that does a lot of work replacing some human effort, but it remains a tool that needs to be directed by humans to provide the required results.

Second: The importance of computers in audit and financial applications.

The last decades of the twentieth century were marked by the emergence of major developments in information technology, and many researchers have called the current period the era of information revolution. One of the manifestations of this revolution is the emergence of the so-called information society and the consideration of information as an important component of production with an effective role in determining the efficiency and effectiveness of an organization. Therefore, many companies and institutions have moved to automate their systems in order to control the vast amount of necessary information and ensure that this information is accurately and appropriately communicated to users to use them in

the decision-making process. Using computer programmes in handling internal audit data has become a major focus for computer programmers due to the importance and characteristics of audit information systems.

Third: The impact of information technology on internal audit activity:

In view of the constant technical developments, the remarkable progress in media, the rapid growth in the information technology industry, including satellites and mobile phones, and the increasing number of Internet users on the one hand, and the complexity and diversity of operations carried out by financial and audit institutions on the other hand, information technology has become an essential element in the activity of financial and audit institutions.

Information technology innovations contribute to the development of electronic calculation techniques in audit work with the aim to achieve internal audit goals that could not be achieved by using traditional techniques.

Information technology is used in financial and audit activities for instance automated account statements and external payment systems. An increase in spending on modern information technology is now needed for dealing with the data produced by the technological revolution to ensure that government institutions are able and continue to be able to provide best levels of service. However, information technology does not change the traditional functions of government institutions, but it changes the way how these functions are exercised and how the goals of the institutions are achieved.

A correlation exists between the success of an organisation and its creative approach of investing in technology to exercise its functions and provide its services.

Fourth: Audit and financial information characteristics.

Financial and audit information have many characteristics, including:

- a- Large amounts of data which must be recorded, processed and stored justifying the use of computers to rationalize labour costs; as data processing results which are issued at regular intervals.
- b- Large number of audit and financial information users, which requires different ways of presenting information according to purpose and target audience
- c- Predetermined method of data processing.

Fifth: Use of Technology for audit and financial information.

There is no doubt that computers have a set of characteristics that makes them highly suited to provide audit and financial information in a manner that meets audit requirements. Among these characteristics are:

- a- High speed in performing mathematical and logical operations: Providing stakeholders with the information needed to make decisions at the required speed.
- b- High accuracy in performing mathematical and logical operations: The computer supplies results with very high accuracy and free from any error percentage except those errors that occur when data is entered by the user.
- c- Reliability: the computer can work continuously for long periods of time without getting tired, unlike human beings who are influenced by many factors which can affect the accuracy of their work.
- d- Compatibility: The computer can perform several pre-programmed audit tests to ensure that the conditions required by the system are met, such as re-ordering in relation to the stock of materials and other functions that can be programmed according to users' needs.

- e- Storage: The ability to store a large amount of data temporarily or permanently.

Sixth: Advantages of using technology for internal audit.

Using technology for data processing has advantages that help the auditor achieve his goals more effectively and efficiently. Some of the advantages include:

- a- comparison and ratio analyses and extraction of indicators and features which help monitor and evaluate performance quickly.
- b- Data can be quickly stored and retrieved from a computer's memory or disks which allows notes to be reviewed.
- c- An electronic information network system (Internet) can be implemented to facilitate an organization's internal and external communication.
- d- Auditing programs can be set up to facilitate audit work. These programs can be ready-made programs, customized programs prepared for a specific purpose or general programs.

The National Audit Office (NAO) in the Kingdom of Bahrain has experience in using information technology for conducting audit work:

NAO keeps up to date with modern technology and uses information systems and programs for performing audit work to enhance the result of its audit work and add value. The program used is called "MK Insight", which provides assistance with the following tasks:

- 1- Planning an audit mission.
- 2- Preparing audit programs and audit steps.
- 3- Preparing, summarizing and extracting reports from audit notes.

- 4- Allowing auditors to prepare time sheets, which show the number of hours actually worked and the tasks performed in those hours, thus facilitating the process of monitoring and developing the productivity of each employee.
- 5- Storing important data for performing audit duties such as previous audit reports, financial statements, relevant laws and regulations, and others.

Information Technology at NAO has a major role in purchasing, installing and using the MK Insight program in addition to providing technical support whenever required and regularly updating the system for the maximum benefit of its audit staff.

As a result of using this computer programme added value has been achieved for NAO's staff, the most important being:

- The ability of task managers to approve tasks from anywhere.
- The ability of auditors to download worksheets from anywhere.
- The ease of monitoring workflow by supervisors and task managers as the program allows to calculate the percentage of work achieved by an auditor in view of the total work assigned to him.
- As a result of the ease of preparing time sheets and their approval by task managers from anywhere, Human Resources is getting employee hour reports quickly and easily.

It is indisputable that the factor of "doing work from anywhere" is very important, especially since auditors, because of the nature of their work, do not remain in one place but rather move between the organizations they audit. Enabling auditors to do their work in any place is one of the most important values added by this program.

Fourth: The Role of Public Relations

The concept of public relations appeared in government institutions at the end of the nineteenth century and was widely used in the middle of the twentieth century. Its

definitions are numerous. Although the concept of public relations is common in business, it is used to describe a wide variety of activities, which makes it ambiguous and vague. Therefore, it will be referred to in its simplest definition: public relations is the link between an organization and the public. The public is divided into two parts: internal (employees of the organization), and external (clients, competing institutions, decision makers, media, shareholders, investors, elites in society etc.).

There is no doubt that public relations play a significant role in the cooperation between audit organizations, whether on the social or professional level. Public relations help establish relationships and cooperation with other organizations which leads to an increase in the wealth of information held by an audit organization. The scope of the relationship includes the following:

- The relationship between an audit organization and other audit institutions in the country.
- The relationship between an audit organization and the public.
- The relationship between an audit organization and international organizations.

The establishment of these relationships adds value to the work of audit organizations. Audit organizations develop by exchanging experiences, information and training programs between them. Public Relations facilitate the access of trainees to training courses at educational bodies, both within the country and internationally. Therefore, increasing public relations activities helps increase the wealth of information and enhances relationships with other organizations that ultimately results in the exchange of knowledge and experience.

The following functions of Public Relations directorates in government institutions can be seen:

1) Information function:

On the one hand Public Relations aims to inform citizens of government laws and regulations, government projects being implemented or planned, routine activities of government officials, as well as government decisions in various fields. On the other hand, Public Relations provides policy and decision makers with information about the public's reaction to government's activities, policies, decisions and various projects. This function focuses on gathering primary information from instant public opinion polls to determine the public's opinion on various issues, as well as gathering information from various communication channels on what has been published or researched.

2) Explanatory function:

This function goes beyond the news and information gathering process. It provides an explanation why various policies are implemented and decisions taken, i.e. it explains the government's vision and provides justification for the government's pursuit of a specific policy or making a specific decision, and it researches causes and expected results. It covers government policies and decisions at the national and international levels.

3) Convincing function:

This function of Public Relations aims to convince the public of the necessity to take certain measures, adopt specific policies, or resort to decisions of a special nature. When the government adopts critical policies or decisions, Public Relations needs to convince citizens of the need for these policies or decisions, by clarifying the government's position and providing existing data to support the necessity for implementing these policies and decisions. Citizens do not tend to accept sudden decisions, especially if they affect the course of their lives and their daily living.

Paving the way for introducing such decisions helps to avoid the element of shock that such decisions may create for the public and the state of chaos and anarchy that may ensue from this.

4) Evaluation function:

This function includes activities related to the preparation of reference reports, analyses and studies that thoroughly examine the results of current government policies and plans, as well as political, economic and social phenomena within society, and measuring public opinion trends. This function is considered to be one of Public Relations' most important function due to its importance for planning public policies. It provides planners with prior knowledge of citizens' needs and aspirations. This function is based on instant public opinion polls and research which seek to gather and provide useful information about general public opinion trends, while in depth public opinion studies and research provide information about public opinion trends in terms of depth, breadth and intensity as well as the reasons and motives behind these trends.

5) Documentary function:

This function includes the preservation and classification of official documents, government laws and decisions, official speeches, statements relating to government positions on local and international matters, government positions on international agreements, communication laws and the maintenance of contact lists of media and press institutions. The documentation role of Public Relations organizations depends on the sector in which they operate and on the level at which they operate. National Public Relations organizations serve the government together with all its institutions, while private Public Relations organizations serve the specific sector in which they operate.

6) Honorary function:

This function focuses on providing and organizing services such as receiving and accompanying official delegations, facilitating their stay in the respective country, liaising with journalists and media professionals and arranging meetings, for instance with government officials, organizing seminars and conferences and helping to create a productive and cooperative environment. In general, Public Relations assists the organization to which it belongs in managing its tasks.

Therefore, it is believed that effective Public Relations gives the audit organization the above-mentioned benefits. Its development means increasing these benefits not only in quantitative terms, but also qualitatively. The quantity and quality of value added by Public Relations is a product of Public Relations' presence in the organization and its efforts to develop its work.

This is the end of the first section, which dealt with the development of support directorates in an audit organization and the added value they create. It shows that the directorates supporting audit directorates in an audit organization are no less important than audit directorates themselves, and their existence and development add value to audit directorates whether directly or indirectly.

Section Two: Development of Audit Systems for Audit Directorates:

This is the most important section of the scientific research and deals with how to develop audit systems for directorates carrying out audit work and their impact on achieving added value. To define “audit system” and “added value” resulting from audit work, two areas of audit work will be addressed:

- Internal audit work of an organization, referred to as “internal audit”.
- Audit work for clients and entities subject to audit, referred to as “external audit”.

First: Internal Audit:

“When we strive to become better than we are, everything around us becomes better, too” - Paulo Coelho

1- The Concept of Internal Audit:

The Institute of Internal Auditors (IIA) defines internal audit as an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. (3).

The most important terms mentioned in the above definition are the following:

Objective assurance and consulting activity: Although internal audit may be part of the organizational structure of an organization, its independence in the organizational structure is the most important condition for internal audit. Independence is intended in terms of work and supervision, as it is important that internal audit work is supervised by the highest authority in the organization. In companies, for example, the internal auditor reports to the board of directors. The Institute of Internal Auditors (IIA) defines independence and objectivity as follows:

Independence:

Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional, and organizational levels (4).

Dual reporting: this relationship happens where the head of internal audit reports to executive management (ideally the CEO) for assistance in establishing direction, support, and administrative matters and to the audit committee for strategic direction, reinforcement, and accountability (5).

Objectivity:

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional, and organizational levels (4).

Objectivity at the individual level of the auditor: Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest (6).

Consultation activity:

Consultation activity is seen as obligations in which the auditor reviews or assesses past, present or future aspects of operations, and displays information to assist management in making decisions. These engagements should be as timely as possible, and usually do not include specific management recommendations (7).

The remaining part of the definition touches on the most important value achieved through internal audit work, which is to achieve the organization's goals through a systematic approach of assessing and improving the effectiveness of risk management, control and management processes.

What are the most important ways to develop the work of an internal auditor?

What are the most important added values achieved by that?

2- Development of Internal Auditor's work:

Richard J. Anderson, who had a role in leading the internal audit practices at PricewaterhouseCoopers, identified that there were ten ways to develop the work of internal auditors in order to achieve added value:

- **Assessing the current and expected scope for coverage of the internal audit of risk management and governance:**

Internal auditors have increased their focus on risk management and governance processes, as have internal audit committees.

- **Ensuring that the risk-based audit plan is flexible and responsive to change:**

Since there are complex and constantly changing risks, internal auditors should always update risk assessment worksheets and audit plans. This should be done more than once during the professional year.

- **Determining how internal auditors use technologies and technology:**

Demand for new technological tools such as information extraction applications and others should be supported to further enhance the effectiveness and efficiency of the internal audit process. Audit committees should define and know the specialized skills and financial support required by internal audit to achieve the required goals.

- **Evaluating the strategic vision and internal audit plan:**

Internal auditors should plan to keep their internal audit processes up to date with new developments, techniques and skills.

- **Determining added value from the internal audit process:**

Internal audit work adds value by providing assurances. Further added value may be derived from providing the organization with a high-quality set of skills and extracting and providing information from internal audit reports that help enhance work unit performance.

- **Enhancing communication and relationships between internal audit and audit committee:**

This is achieved by periodically submitting and presenting internal audit reports from Internal Audit Executives to the Internal Audit Committee, which results in building a strong relationship between the two parties and which may also help in the successful execution of the Chief Executive Officer's internal audit work plans.

- **Ensuring that internal audit is fully compliant with International Standards for Internal Auditing Practices:**

The Audit Committee should request periodic confirmation that the Internal Auditors follow the Institute of Internal Auditors (IIA) Standards.

- **Understanding the role that internal audit does or may play in meeting the organization's needs for broad-based skills:**

The degree and scale of the skills of internal audit staff determines the quality of the internal audit work for the rest of the organization's departments and management.

- **Having knowledge about training received by the internal audit department to determine the benefits gained and to identify and know further training programs required for the internal audit department:**

Effective training programs for the internal audit department must go beyond basic skills related to calculations and audits to include important training areas such as knowledge of effective methods of information extraction and analysis, risk

management, knowledge of governance processes and knowledge of the most important modern technological applications. Training programs must also include important and expected interpersonal skills such as effective communication skills, leadership skills and others.

- **Determining whether the internal audit department in the organization is subject to periodic and continuous evaluation to assess the strength and level of its skills and to identify skill gaps and how to fill them:**

Audit committees need a critical discussion about skills with internal audit executives. Starting point should be assessing the internal audit risks, not the audit plan. The important questions should be: Has the internal audit department identified the skills required to confront and address the risks identified in the organization's risk profile, and has it assessed whether there is a gap in the level of its current skills compared to the level of skills required (8).

Therefore, the points mentioned above are the most important ways to develop internal audit work to achieve added value.

Second: External Audit:

1. The Concept of External Audit:

External audit is a process that an independent auditor performs by examining financial statements and accounting records to give an opinion on their legality and their compliance with Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS). These standards also include INTOSAI standards for auditing public sector entities subject to audit.

As such, the most important terms mentioned in the above definition are the following:

Auditor's independence:

It means independence from parties that have an interest in the results published in the financial statements of the organization and the audited entity. The concept of an auditor's independence is explained by the document on INTOSAI's ethics of the Public Sector Auditor Profession which was approved by INTOSAI's Governing Board at its 44th meeting held in Montevideo in November 1988. The document clarified the most important foundations regarding the independence of the external auditor in the public sector, which were as follows:

- Independence from the audited entity and other external interest groups is indispensable to the auditor, and this means that the auditor must envisage behavior that increases its independence or at least does not diminish it.
- The auditor should strive not only to be independent of the audited entity and other interest groups but also to be objective in addressing the issues and topics under review.
- It is essential that the auditor be independent and impartial, not only in action but also outwardly.
- In all matters related to the audit work, the auditor's independence should not be affected by personal or external interests. Independence can be affected, for example, by external pressures, by impacting the auditor, or by preconceived notions the auditor has on others, audited entities, projects or programs, his recent employment with the audited entity or with personal or financial transactions that may cause conflicts of loyalties or interests. Therefore, the auditor is obligated to refrain from participating in all matters in which he has vested interests.
- There is a need for objectivity and integrity in all the work performed by the auditor, especially in his reports, which should be accurate and objective.

Therefore, opinions and reports should be based only on the evidence obtained and compiled according to the auditing standards of the supreme auditing institution.

- The auditor should use the information provided by the audit organization and other relevant parties. Such information should take into account the opinions expressed by the auditor abstractly. The auditor must also collect information related to the views of the audited entity and the opinions of other parties, but conclusions should not be affected by these opinions (8).

Giving opinion:

The opinion of the auditor is an attestation accompanying the financial statements based on a review of the accountant's opinion on the procedures and records used in issuing the statements, regardless of whether there are material errors in the financial statements. Professional opinion is of great importance, as it enables parties interested in financial statements to the following:

- Understanding the financial status of the audited entity and assessing its performance.
- Taking decisions to invest in the audited entity or not. In the case of bank loans, for example, the bank evaluates the performance and status of the entity to agree to provide the required financing or not.
- Enabling the Board of Directors to determine the reliability and validity of the financial statements prepared by the executive management.
- Enabling citizens to learn about the performance of government agencies, which is reflected in their financial statements of profits and losses, which facilitates the process of accountability in the event of default by any audited entity or audited sector.

In the following paragraphs, the benefits of external auditing will be discussed, as well as how to develop audit work undertaken by audit organizations in order to achieve added value.

2. Benefits and Values Resulting from the External Audit Process:

- **Verifying accounting and financial processes:**

An external audit provides an objective review of the accounting process of an audited entity, by presenting interested parties with an overview of the accuracy and validity of the entity's financial information. This provides parties not familiar with the laws and accounting rules and regulations with an understanding about the financial status and performance of the audited entity and therefore with a basis for making decisions.

- **Detecting errors:**

Errors in accounting processes may prevent interested parties from making the right decisions. Audit procedures are designed to detect errors in the financial and accounting system, and sometimes, they may help detect corruption and fraud. The external auditor also verifies that the recording of financial transactions was conducted according to the required standards.

- **Identifying internal weaknesses and suggesting improvements and recommendations:**

Weaknesses in internal structures are to be expected, but what matters is how to address them. Some entities prefer to hide their weaknesses and continue to work blindly. However, the entity always has the option to take care of its business by giving the areas with poor performance within the company the needed attention. Since internal auditors cannot effectively criticize the internal processes of the entity because they are part of it, external auditors can monitor and evaluate the processes

from an external perspective and recommend ways to improve efficiency and develop and refine the accounting processes.

- **Providing assurances:**

Audits assure senior and executive management who are not involved on a daily basis with accounting jobs that business is operating according to the information they receive and that poor accounting processes and fraud are detected and can be dealt with.

Therefore, external audit not only enhances the credibility and reliability of the numbers provided to different stakeholders (shareholders, employees, customers, suppliers, investors and tax authorities), but also provides professional assurance of the soundness and legality of financial statements.

- **Letter to Management:**

The auditing standards require that the auditor write a letter addressed to the managers working in the entity. Some managers question the value of such letters and are sensitive when their respective business requires additional evaluation or additional control procedures. It all depends on the perspective and understanding of the executive directors working in the audited entity of the importance of external audit processes.

First, the letter to management is sent to the management of the entity and is not presented to any other authority since the content of it is considered to be too confidential. Second: The letter to management draws the attention of the executive management to shortcomings in control processes and internal procedures that may lead to inaccurate data used in financial reports and reports on compliance with laws and regulations. This means that the letter to management is in fact the product of a value-added service, which identified weaknesses in the entity's business that can be

addressed to move forward towards achieving the entity's strategic and tactical goals (9).

3. Development of External Auditor's Work:

Salvatore Colome, one of the directors of Collemi Consulting & Advisory Services, identified nine ways to improve the quality of the external auditor's audit work in order to achieve added value, as follows:

- **Strengthening the company's management policies and culture for employees (Strengthen the “Tone at the Top”):**

This refers to reinforcing the policies and culture of the audit organization for its employees, by doing the following:

- ✓ Ensuring that all employees have sufficient time and resources to resolve audit problem tasks.
 - ✓ Documenting and proving that the decisions made in the audit organization were based on standards and regulations.
 - ✓ Creating and publishing a document on professional and ethical behavior.
 - ✓ Addressing cases of non-compliance with standards of professional behavior and ethics by imposing administrative procedures and penalties on violators.
 - ✓ Providing a copy of the quality audit document to the audit organization for all working professionals.
 - ✓ Recruiting, compensating, promoting and remunerating professionals who own and demonstrate high levels of integrity, professionalism and achieve high quality in their work.
- **Enhancing customer acceptance and continuity procedures:**

The audit organization must do the following before accepting a new customer or before accepting to continue to work with an existing customer:

- ✓ Check the customer's background and available information.
- ✓ Enter into contract only with clients who have a high degree of professional ethics and integrity.

- **Appointing and contracting with experts, specialists and consultants:**

The audit organization must have enough technical personnel or the possibility of resorting to external experts and consultants who can provide the audit organization with specialist advice when facing difficult issues.

- **Providing a mechanism for continuing education and training:**

The audit organization must provide a varied training package to increase efficiency in technical and personal skills. The following topics should be focused on:

- ✓ Independence and professional ethics.
- ✓ Application of professional judgment, doubt and objectivity.
- ✓ Procedures and policies of the audit organization.

- **Establishing a Quality Control Department:**

A quality control department:

- ✓ develops accounting and auditing guidelines in addition to guidance for various industries.
- ✓ conducts assessments of the commitment to quality control for tasks that are classified as high-risk.
- ✓ monitors and evaluates quality control policies and procedures for the audit organization.
- ✓ provides technical advice to employees.
- ✓ monitors accounting training programs and training programs related to auditing.

- ✓ develops audit policies and procedures.
- ✓ participates in dialogues and discussions with workers in issuing decisions related to systems and laws for audit processes, especially during approval of new items in the accounting and auditing standards.
- **Simplifying the audit process in non-core areas and defining appropriate procedures in the core areas:**

The audit organization should ensure that all teams are continually simplifying the audit method so that they can focus on high-risk areas and implement the audit process efficiently and effectively.

- **Increasing specialist expertise:**

External auditors should specialize in a specific field or sector and build competencies in that area to achieve desired results at a high quality.

- **Switching audit teams:**

The periodic switch of partners, managers, quality controllers and audit tasks ensure a fresh and valuable view of high-risk tasks for both clients and auditors.

- **Joining accounting network and forging strategic alliances:**

Audit organizations should consider joining professional networks and cooperating with other audit organizations with good reputation in the audit field. (10).

General Conclusions and Recommendations

In conclusion, it becomes clear that establishing and developing an audit system is important. It forms an integral part of the internal structure of audit organizations and audited entities. The extent to which audit systems add value depends entirely on the way the audit system is established, the accuracy of its work, the principles it is based on and the general expertise it can rely on. The responsibilities of other directorates and support systems for audit management and the audit system itself must always be clearly defined, in order to determine the benefits of developing such a system and the added value resulting from this.

Accordingly, the most important general recommendations are:

- Audit organizations or audited entities must determine the organizational structure and its flexibility to achieve cooperation between support directorates and audit directorates.
- Identification and continuous evaluation of the current audit system in order to determine its effectiveness and efficiency, and ways of improving it.
- Measuring the level of employee satisfaction in audit organizations, and the satisfaction of the beneficiaries of the audit system. This is one of the most important methods to identify areas of improvement in the audit system and the extent to which added value resulting from the establishment and development of the audit system is achieved.
- The internal audit system of audited entities and the external audit system represented by audit organizations must always be examined together, to understand the relationship between the two systems and how they both affect the general audit process and contribute to adding value.

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