Total Quality Management and Its Relationship with the Internal Audit

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Abstract: The purpose of this study was to learn about Total Quality management (TQM) and its relationship to internal audit. The study will clarify the ways that the TQM system is implemented within the functions of internal audit. Furthermore, discussing the characteristics associated with the functions of internal auditors; as designed, this study will reveal the role of internal audit in TQM. Also addressed, is the financial audit and the operational programs of TQM, and the role of internal audit in the programs of TQM in an environment of information technology, highlighting the role of quality programs, with hopes of increasing the effectiveness of the internal audit department. Furthermore, to strengthen the relationship between ISO and internal audit; aided by adding controls for the formation of a committee. The study found a number of important recommendations. It found that the internal audit department functions and requirements that are imposed by the challenges of establishing a system of total quality, in accordance with the concepts of correlation between the characteristics of quality management, a comprehensive need to continually update the means and methods used, in the implementation of the tasks of Total Quality and internal audit, would be a beneficial, effective use of IT systems in modern programs. The execution of the internal audit, and the overall quality, should seek to get the attention by incorporating human element as a basic foundation for system control. The audit should be developed with the standards specific to evaluate the actual performance played by the internal audit in assessing performance in relation to the overall quality.

Key words: Total Quality management and implementation of internal audit functions; make up characteristics of Total Quality management-related functions of internal auditors. Role of internal audit in quality management, auditing of financial and operational programs of TQM, role of internal audit in programs of total quality in an environment of information technology, role of programs quality to increase effectiveness of internal audit department, relationship between ISO and internal audit, controls formation of Oversight Committee are all elements that play key roles in TQM.

INTRODUCTION

In the beginning, it is imperative that we refer to the concept of Total Quality Management. Total Quality Management (TQM) is a set of ideas and methods, which include all aspects of work within the enterprise employed to achieve the development and continuous improvement in quality levels for all products and processes. The goal is to gain the achievement of customer satisfaction and increase production; thus, strengthen the competitive performance of the business. This is possible by focusing on the system of Total Quality management. Doing so to meet the wishes and demands of repeating customers and clients; furthermore, performing in a timely manner. Doing so, on the basis that there is a direct correlation between meeting the wishes of the customer and profitability of the project or the bank (Nour Ahmed and Shehata Sayed. 2005.p.49).

On the other hand, to achieve a system of TQM, there are a number of benefits and advantages that are imperative to cost reduction. Organizations who adopts this system, and the concept of preventive control, can avoid distractions and still seek to improve the bank's reputation and increase confidence in him by customers, not only the role of the system of total quality management on customer service, but extends to the quality of all processes within the bank. The concept of TQM in modern management took effect in 1980; this was in hopes to improve quality. This strategic business move made the TQM system a top priority for a large number of industrial companies, educational institutions, government and service and even banks.

Total Quality management aids to improve performance and facilitate communication, collaboration and participation within organizations of elements; ultimately, leading to achievement of quality requirements by creating an environment supported by quality and continued focus on improvement of all sectors of
organization. This permits an organization or business to respond flexibly to environmental changes and customer’s changing needs and desires (R.Z.. 1996. pp. 30-34).

TQM system is largest and widest utilized of various process of quality control; namely because it allows internal audit department to focus on overall objective. Furthermore, it allows them to use results to improve performance and to help maintain total quality management. In order to do so, internal audit department must gain access to an efficient and effective performance of professional services.

This means that TQM creates substantial benefits of sections of the internal audit, internal auditors, and their organizations; the largest being the continuous improvement of their services.

The most important aspect associated with the concept of quality is always the expectations of consumers and their preferences. As a result of the importance of quality and impact of the many modern organizations design programs, aimed at raising the level of the organizations as a whole, has been designed to cover all functions within the project. These programs require the participation of all employees within the organization.

Importance of TQM is essential when it comes to intense competition faced in business world.

**Total Quality Management and Implementation of Internal Audit Functions:**

There is a close relationship between TQM and the internal audit; however, each has a different role and various levels of the internal audit, as well as varying results based upon the application of the concept of TQM system (L.C. H.& M. B 1995 p. 30.). To move away of internal audit for a job audit and review compliance systems, internal control as a result focus on the review of systems quality, means that the review of quality systems has become a top priority. Thus, the previous financial responsibilities have become of secondary importance.

There are required new targets and in the broad scope of the internal audit function under the application of the concept of total quality management major change in the skills of the internal auditor and in the training and vocational education, where should the internal auditor to learn theoretical aspects of total quality management and learning methods of statistical control of quality, which helps to control and improve quality overall and by identifying, measuring and assessing quality problems before they adversely affect the operations of the organization and that can help employees and managers in solving the many problems and develop solutions that address the root cause of the problem and not only fixes the symptoms of the problem.

Under the Total Quality Management, during the internal audit, the performance of its functions, the style used is on a cooperative and participation type basis, rather than the method independence. In many companies the internal auditor, in conjunction with production management, conducts a review of quality and through the supervision of the internal auditor. The internal auditor reviews the quality of work which is performed by members of the production departments and requires communication skills and the leadership of high standards. Leadership is defined by Ahmed, Z. B as, “The ability to treat human nature or to influence the human behavior to guide a group of people toward a common goal in a manner to ensure their obedience, respect, cooperation and other words. Without leadership the group is not able to set the direction of their behavior or their efforts (Ahmed. Z. B.1978. p. 242).”

This change requires the internal auditor to assume a consultant role, be a participant; furthermore, stray away from the traditional independent reviews.

It should be noted that if the internal audit function is performed at an expanded scope to include a review of quality systems, the other agencies such as the External Quality Review will replace the internal auditor; this is already happening in many countries.

There is a relationship between TQM and implementation of the functions of internal audit. At the beginning of the emergence of the internal audit function, in accordance with the list of responsibilities, was aimed to meet the requirements of management. However, the final criterion on the responsibilities of the internal auditor had determined that the internal auditors will appear as a team of administrative help. The completion of their work targets to achieve long-term goals; moreover, it is the overall welfare of the organization. It even helps to achieve the objectives of the organizations services and internal audit function.

The Internal Audit Department has a set of characteristics that are modeled by the high standards of Total Quality Management related functions. These characteristics include:

- Continuous quality improvement of the functions of the internal audit.
- Understand the needs of the organization, and provide internal audit services to meet those needs.
- Encourage adherence to standards and procedures of a professional manner and keep the high ethical standards of the profession.
- Achievement of management objectives by applying the concept of TQM in evaluating performances.
- Develop strategies for planning and implementation of methods that achieve the objectives of TQM; for long-and short-term goals. This will help to achieve the functions of internal audit.
- Focus on team work and participation in staff training and foster development programs and make continuing education mandatory for workers.
Main objective of theory of overall management of quality is to meet requirements of external customers and internal management; doing so on an ongoing basis through a team of internal audit.

In summary, every profession is working on high quality performances. The internal audit profession, in particular, the internal auditors, is an exception. As a result, the application of internal auditors is to manage the overall quality of their services. The goal is to achieve the overall objectives of the organization in which the audits take place.

**Role of Internal Audit in Management of Quality:**

Internal Audit Department understands nature of TQM programs within small businesses, World Bank, and organization. Even Internal Audit Department is subject to overall quality of programs examined by internal auditors it employs. As in other organizations and businesses, grounds that overall quality represents needs to be operational by the examination and under scrutiny.

The role played by the Internal Audit Department has increased, as well as the number of programs of total quality. The quality of the programs implemented and tested has indicated a need to review or examination of the aspects of financial and operational aspects of these programs. The planning process of the examination, the ability to hold attention, and the need to improving internal control over TQM process, all were areas that needed enhancement. overall quality was two-fold; the process consisted of screening programs (Moeller, Robert1999 p. 66.).

**First Process: Financial Audit of the Programs of Total Quality:**

This process consists of a reviewed financial control of the quality programs. There is an overall financial control to total quality programs, especially because the nature of this control extends through a large number of departments. Thus, the method of assessing the financial control will be more complicated than any process of assessment of the financial control aspects.

When assessing the financial control of the quality programs of comprehensive types, the internal auditor should be familiar with the basic concepts of the structure of the financial control. Furthermore, the auditor should be familiar with the company, organization or bank in which employs the services provided.

**Second Process: Review of the Operational Programs of Total Quality:**

This process is the focus of the efficiency and effectiveness of TQM programs, as well as the process itself. Usually in this step, the bookkeeping is under review. Furthermore, the operational aspects are also under review; this depends on the parties to the interior of the internal auditors or external, depending on the tip of internal auditors from another company.

To begin the audit, the internal auditor should look for efficiencies within the organization; one should do so with a high degree of science and knowledge in the field of quality. The auditor should allow for the deployment of thought in the overall quality within the organization. Provision of appropriate training for workers should be taken into account; keeping in mind that these parties do not represent all parties that are to participate in the programs of total quality. Their participation in these programs should be offered as an educational alternative for the mandatory continuing education and training within the organization. Continuing education and training that is acquired through third parties can often be very costly.

The team is responsible for conducting the next portion of the review. They must conduct research and make decisions in the field of quality; this is done in-depth and on a comprehensive level in order to obtain a general understanding of the overall quality and standards.

Finally, the application of comprehensively tracking the quality system of during a certain period of time is implemented to detect performance problems. These problems are to be reported to senior management or to one of the relevant committees; thus, calling for the role for the internal auditor and the need for ratification. The results will attest that goals have been reached; furthermore that the comprehensive quality system is working as expected.

**Role Played by Internal Audit in Quality Programs in the IT Environment:**

TQM programs usually call for the need of bookkeeping; this can be kept in a database computer program, or manually. Quality databases are designed by a computer programmer, and are the most widely used method of bookkeeping in today’s business world.

In this regard, the internal auditor must determine the quality of the program; the results are used to strengthen the comprehensive quality program. In addition, the need to assess the control of the confidentiality and integrity of information found in the database in the IT environment.

Examples of the problems that can be detected during the examination and review of the comprehensive quality system include:

- Fail to compare the benefits derived from improving and raising the quality cost of quality improvement; this, where it is possible that the company spends a large number of hours to improve the quality and that
under the system of total quality without being compared to the cost of these hours. Weigh the benefits derived from these hours that were spent.

- Do not share information systems, accounting systems, the overall quality or the process of evaluation.
- A lack of accuracy in records and reports; the incorrect results could show the quality level of higher or lower level of the already existing levels.
- A set of recommendations that can be implemented to avoid problems in foregoing, include:
  - Develop guidance; emphasizing the need to compare the benefits of total quality management cost implications.
  - Work as a team in TQM with the relevant parties and Accounting Information Systems; do this in order to increase the effectiveness of comprehensive quality systems.
  - Put an emphasis on the various managers of production units for accuracy of recording the results of operational processes (outputs) in the records and reports.

**Role of Quality Assurance Quality Programs to Increase the Effectiveness of Internal Audit Department:**

Importance of Internal Audit Department in businesses, in modern times, has increased tremendously. The auditors provide information to senior management and the Audit Committee. They are the link between the Internal Audit Department and all departments and functions within the organization. There is an urgent need for the presence of systems for quality assurance to ensure the quality of services provided by the internal audit department measures up to the expected performance level. Often, incentives are provided to increase the level of efficiency.

Quality Assurance is a huge benefit that is reflected when TQM programs are correctly implemented. The benefits do not only apply to the employees, management, or CEOs, but also benefits stock shareholders within the company or organization.

There are many benefits realized by internal audit department of quality assurance programs such as:

- Administration of benefits based upon the performance of the Internal Audit Departments in various companies or other banks.
- Verification of commitment to members of the internal audit professional standards relating to internal audit, whether domestic or international.
- This system, which is carried out by specialized personnel, whether from within or from outside the organization, helps the administration to determine the portions of the internal audit process that has not been implemented effectively. For example, the method of sampling is inaccurate has led to the selection of samples to low in quantity required; the amount must be precise.

Usually all managers within the organization benefit from these programs that are based on quality assurance, in particular, the members of senior management, where the existence of such systems will be given to managers and senior management. A degree of confidence in the quality of the examination, which is conducted by the Internal Audit Department, which represents a benefit to the company as a whole, goes back to the rest of the staff in the company or organization. This is normally in the form of incentives such as an increase in bonuses and wages.

**Following Should Be Taken Into Account:**

- What determined the general requirements and objectives of the examination?
- How were the right people identified for the examination?
- Determine the connections through the test results; furthermore, how can management use results to improve the performance of the internal audit department.

**Relationship Between ISO and the Internal Audit:**

There are many developments in the business environment which led to more of the requirements of internal audit. This is employed where there is the need to comply with the standards and specifications of ISO. The standards are high in quality and meet the specifications for environmental management; which refers to increasing the role of internal audit and all the changes that occur within the company or organization.

ISO standards have been issued by the International Organization for Standardization; International Organization Standardization in Switzerland. This organization was established in 1946 in order to set standards in various fields and is now the Member States in more than 90 countries; furthermore, it includes more than 200 specialized committees that develop standard specifications.

In 1979 the organization began in the development of standards governing the quality assurance and quality management and called for these Standards (ISO 9000).

It should be noted that (ISO 9000) did not address the quality of the final product of the company or the quality of raw materials, but these standards have focused on procedures and methods of documentation and management, which allow the achievement of quality standards.
Most Important Goals Sought by the (ISO 9000) Include:

- Identify and define the quality system which suits the nature of the company or organization.
- Make clear to the consumer, the obligations and undertakings required of the company; moreover, the management systems that help achieve the overall quality system.
- Provide an appropriate basis for continuous improvement, such as applying a TQM system.
- Allow the involvement of all employees in the company in quality improvement programs; doing so, through education. Stress the importance of quality systems and their impact on the company and its customers.
- Reduce operating costs and devise programs to improve quality and increase their effectiveness by reviewing the results for these programs.
- When dealing with suppliers, as partners in the company, aim to keep problems and issues to a minimum.
- Despite the lack of playing a direct part of the internal auditor, the quality standards, as the specifications and quality standards is the responsibility and function of quality assurance company but it must be the internal auditor familiarity with the requirements of quality standards and documented, the internal auditor plays an important role by giving a degree of autonomy to the quality standards of the company.

On the other hand, the internal auditor assist the company in conducting an external examination of the formal quality systems; through their role in the management of the screening process. Furthermore, the auditor makes suggestions on how to improve the process.

There are Four Levels of Quality Standards (ISO 9000), They Include:

- The highest level, which is designed in certain phrases to explain the philosophy of the company and its policies in the field of quality; which represents the type of authentication.
- Quality procedures and dealing with the level of documentation to deal with (what, when, where, and who). This level of documentation, as well as the official timing represents the level of principles and strategic level.
- Instructions are used to guide the work in the field of quality, a level closer to deal with the problem (how). This level deals with the practices of quality practices.
- The final level, deals with records and other means of authentication in order to give evidence or proof of the results of quality programs.

In today’s contemporary business environment, it is mandatory for each facility to obtain ISO certification. The establishment is required to utilize the work of the internal audit; this audit must meet the quality of the obligations in order to make sure the requirements and specifications of International quality.

In scope that job of internal audit work has extended to quality review. A report with results of this review is then turned over to Administration to take necessary measures to maintain application of requirements of international quality ISO (R.Z, 1996. pp.40-50).

Need to review EMS Environment:
The environment is the area in which was spoken with excitement and received the most participation and interaction of each unit. We live in a “whatever it takes” human nature society. We live in a social system with personal relationships, scientifically speaking, this is impressive. We push our objectives and even seek movement and activity. We seek constant interaction between the environment and other individuals; we give and take successively. The environment is divided into two parts; the natural environment (climate, rivers, seas, etc.), and the geographic environment (land forms such as lush mountains and deserts). The social environment and social relations environment includes systems such as the economic situation, health, education, etc. All of these environmental systems are connected to each other (Ahmed. Z. B. 1978. pp 135).

ISO 14000 is in range of standards for assessing environmental performance of company.

We must point out that these specifications will not only apply to interests in environmental performance, but also focus on the relationship between business activities and environmental requirements. This is done so that commercial activities are perceived with a positive impact on the surrounding environment.

Specifications Environmental Management System "EMS"
Characterized by a double standard, EMS is:

- ISO 14001, which addresses the key elements of requirements set by EMS, and are used in the certification of quality control of ISO.
- ISO 14004, this standard applies to any application where an EMS is employed; it explains the basics of this standard. The EMS aids in its application by providing resources, individual referrals, and even funding.
- Specifications include environmental review on the application; the three criteria are:
Standard No. 14010, "ISO 14010:" Aims to put the basics requirements and guidelines for environmental review.

Standard No. 14011 "ISO 14011:" The focus of this standard is to see to the same environmental review procedures.

Standard No. 14012 "ISO 14012:" This standard focuses on the qualifications of individuals who carry out environmental audit procedures.

A review of the standard 14001, we find that the application of ISO 14001 which are based on a philosophy of continuous improvement, include a number of steps:

- Setting goals and objectives and establishing an environmental program.
- Identify sources affecting the environment and the impact of return; then determine the legal obligations arising from the environmental abuses.
- Development of environmental policy.
- Senior management should make a commitment and apply the environmental policy.
- Conducting internal reviews.
- Take corrective action if necessary.
- Contingency planning and performance evaluation of the environmental management system.
- Keep documentation, as well as written documentation, of procedures for the environmental management system.
- Provide training to raise environmental awareness among workers and to increase the efficiency of the preparation of internal auditors.
- Employ the provision of a financial and human resources department; determine the responsibilities and powers necessary for the implementation of an ecosystem.

Through previous review of steps to implement ISO 14001, study has identified requirements and clear importance of role played by Internal Audit Department. Proper application of this standard, and its role in a strong system of environmental management, ensures that company's commitment to laws and environmental legislation. It is easy to see, each step of system plays a vital part in management internal audit's ability to achieve a major role in planning of success.

When reviewing Environmental Management Audit following should be considered:

- The environmental management system should be examined on an ongoing basis; in order to ensure that it works efficiently and effectively in achieving its objectives.
- The Environmental Management Audit program should be tabulated, and have a scheduling process based on a set of factors; the most important is the environmental activity and the results of the previous auditing.
- The audit process must be a comprehensive and cover all aspects of the standard (ISO 14001. A written report must be completed at end of process and submitted to senior management to be used in future management audits and to aid in making decisions.
- The review process must be completed by members of the Internal Audit Department. In some cases, the use of external auditors is employed; which has the neutrality and effectiveness in performance with the use of ethical principles.
- Environmental management system can be reviewed by applying double standard (ISO-14001 and ISO 9000), as well as application of quality of system, whenever possible.
- Programs and procedures must be retained for periodic audit of system; in order to ensure that system is compatible with essential requirements of standard (ISO 14001) and to provide appropriate information to audit conducted by department, any time desired.

Environmental Management System prepares a report, results of review is submitted to Senior management; therefore the points of environmental performance, as well as the extent of degree that improvement needs to be made is alerted to the highest authority of the organization. Process of review is usually based on instructions from senior management; this review is fashioned based on information received from Internal Audit Department. Together, inputs, opinions and judgments of environmental efficiency of system and work to be achieved on a continuous basis. Aim is to keep improving and become and remain a lasting, thriving company; moreover to keep comprehensive peace for all individuals, in all aspects of organization.

On the other hand, an increasing pressure from the users of financial statements in companies and banks, show a necessity for businesses to be in a sound financial position. Moreover, there has been an increased interest in the subject of internal audit committees.

Perhaps the most important factors that led to the strengthening of encroachment of audit committees, is the contradiction that exists between external auditors and the management of the company. This is true especially
in maintaining the independence of the auditor to express their technical neutral opinion; therefore, the existence of an audit committee in any company is a protection for shareholders. It also ensures achievement of the independence of the auditor and the ability to express their neutral artistic signature review of financial statements.

It can be said in general that the existence of an audit committee in any company or bank consequent reduction of cases of fraud, manipulation, and increases the effectiveness of internal control systems. An audit committee supports the independence of the auditor; therefore supports with confidence in the process of preparing and reviewing financial statements, especially in light of market economics and fierce competition.

Competition recently described the kind of interaction which involves a struggle for certain goals, is characterized by the interaction as a regulator normative, and may be directly or indirectly, personally or not personally, as it excludes from its scope of power, violence, and competition, does not necessarily involve a hostile to the direction where available. Moreover, feeling full awareness among competitors; therefore, a social function is the lack of conflict between persons (Mohammed. A. G. 2007. p. 5. p. 78).

An organization that has sound financial statements can be relied upon in making investment decisions, knowledge of development process, and increases effectiveness of Stock Exchange.

**Controls for the formation of the Oversight Committee:**

Many researchers saw the need for a set of controls, as well as the need of the formation of a special audit committee. This committee would be in charge of seeing to tasks being done efficiently and effectively. Those controls can be summarized as follows:

- **Clearly defined powers and responsibilities of the Audit Committee:**
  
Powers and responsibilities of Audit Committee are detailed, clear and written, so this Committee is able to conduct their work efficiently. Also, this leads to no confusion; thus so as not to overlap or conflict between Commission and between other executives in companies or banks.

- **The Need for Experience and Skill in the Members of the Audit Committee:**
  
The members of the Audit Committee must be non-executives. These individuals must have the experience, skill, and ability to monitor and evaluate internal control systems; furthermore, see to the compliance of the procedures for these systems.

  The members of the Audit Committee should also possess the ability to understand aspects of business, such as accounting, auditing, and financial management. This requires the Committee member to study simple concepts of the process of preparing reports and financial statements; in addition, the member must be aware of the nature of the activity of the company or bank in which it is employed.

  According to past history, it is known that most of the overseas members of the Audit Committee are University professors or former politicians who have a scientific background. These individuals are educated in the fields of accounting, business management, financial management, economics, former board members, lawyers, or chartered accountants.

- **The Need to Determine the Appropriate Number of Members of the Audit Committee:**
  
It is necessary to determine the number of members of the Audit Committee. This is so that the right combination of the Committee’s expertise and capabilities can be taken into account to achieve its objectives. An increased number of Committee members may cause some members to be banned from making decisions; vice versa, a decreased number of members would limit the performance of the Committee and lower its effectiveness and efficiency. It has been noted, abroad, that the optimum number of members of the Audit Committee should be between three and five members, made of people with known skills and mental abilities to make decisions quickly and effectively.

  The danger in relying on the impact to the internal auditor, in connection with the factors associated with internal audit, is that with the increase in the risk is more important than the internal audit. Based on behavioral studies, results show that with the increase in risk, the decision-making process becomes more complex.

  The results of several studies have shown that increasing the inherent risk of stocks do not lead to the increasing importance of internal audit and its dependability, but it them more complex.

  The head of the External Auditor, for the use of analytical tools, focuses on the elements of the complex and fundamental process of review. With increased risky circumstances comes the risk of increasing factors affecting the contribution of internal audit. More so with potentially devastating decreases in the quality of internal audit; furthermore with the extent of cooperation between the internal auditor and external auditor, a greater degree of importance of the availability of the internal auditor, affecting the adoption of the External Auditor or internal audit services. This is in comparison to a low risk environment.

  When the external auditor studies and evaluates the internal control system, they must also study and understand the internal audit function enough to determine the internal audit activities of convenience for the purpose of planning the audit procedures.
In order to understand the internal audit function, an external auditor should be permitted to inquire management, staff, and the Internal Audit Department on the regulatory status or career center for the auditor’s facility. A plan should be implemented for the Internal Audit Department, in terms of the nature, timing and scope of work performed. The extent of the validity of the auditors, access to records, the extent of limitations, the scope of their work, and the application of standards of the profession of internal auditing should be amongst this plan.

If it is decided that the auditor is taking into account the impact of the internal audit function on the scope of their work, the merits of objectivity and the exploitation of the Internal Audit Department should all be scrutinized and assessed.

After the assessment of the Internal Audit Department’s functions of the internal audit is completed; it may be decided that the functions may not be relied upon due to ineffectiveness.

When the external auditor assesses the merits of internal auditors, they must obtain updated information on the level of education and professional experience of the internal auditors. Furthermore, the extent of vocational rehabilitation and continuing education offered, policies, programs, audit procedures, procedures for the appointment of internal auditors, supervision practices, a review of the activities of internal auditors, the quality of documentation of working papers, reports, recommendations and evaluation of the overall performance of the auditors.

In this regard, the external auditor should obtain updated information on the functional status of the persons responsible, the internal audit functions, and policies needed to maintain the objectivity and impartiality of internal auditors on what is being reviewed.

If the auditor expects to affect the internal audit with the process of external review, they must take into account the extent of that influence. They will also need to coordinate work with the internal auditors, as well as evaluate and test the work of internal auditors.

For the auditor to perform the necessary procedures and in order to assess the quality and efficiency of the work of internal auditors, which affect substantially on the nature, timing and scope of the procedures of the External Auditor in establishing such procedures, the External Auditor must take into account the appropriateness of the scope of the internal auditors to achieve the objectives. They must also take in to account the adequacy of the programs of internal audit.

Furthermore, the accuracy and adequacy of the internal auditor’s working papers documenting the functions performed, including the evidence of supervision and follow-up with sincerity in the conclusions of the reviews, plays a vital role in a successful outcome of the External audit.

The External Auditor must test the functions of internal audit that are related to the essential terms of the financial statements. These tests are carried out by re-implementing the functions of the internal audit, as well as the testing of similar actions, transactions or balances of similar nature. The auditor must compare the results of those tests with the results of the work of internal audit.

Despite the potential impact of the work of internal audit procedures, the External Auditor is still responsible for finding the evidence sufficient to support his opinion on the financial statements.

When the internal auditor provides direct assistance to the External Auditor, the External Auditor's assessment of merit and impartiality of the internal auditor, supervision, monitoring, evaluation and testing of the tasks performed, it may affect the scope of these procedures.

Some argue that the relationship between the Internal Audit Department and the External Auditor improved significantly after the release of the Senate to Act SarbanesOxley in the Unites States, in 2002. As a result of this law, company’s and organization’s Internal Audit Departments have committed the External Audit review. Also to the administration's assertions concerning the effectiveness of control structure. There has been an increase of company’s adoption of the External Audit. There is new found faith in the effectiveness of internal control structure, in the process of preparing financial statements, and in management's assessment of the effectiveness of internal control structure (P.C.A.O.B.2004. p. 59).

Recommendations:

- Hold training courses for internal auditors, for the purpose of deepening the concepts and principles pronounced by the international standards for internal audit.
- Work to instill the concepts and academic knowledge of the internal auditor in light of overall quality.
- Work on the application of continuity in the development of skills of internal auditors through the intensification of training courses, as well as implement the use of modern scientific methods in line with the concepts of total quality.
- Work on the application of policies to obtain a certificate of international quality for companies, institutions and commercial banks (National and Islamic), pursue requirements and challenges to enhance their internal and external competitiveness.
- Work to highlight the status of internal audit within the strategic management of companies, institutions and commercial and Islamic banks.
- Generate an Internal Audit Department that performs its functions properly, employs a comprehensive quality system that is in accordance with the concepts of correlation with the characteristics of quality management.
- Employ the traditional view within the internal audit process for the overall quality system to include all stakeholders associated with the performance; furthermore, focus on meeting their needs and expectations in this regard.
- Develop an institute of internal auditors to oversee the organization of the relationship associated between internal audit and the overall quality and the issues to ensure the establishment of disciplinary responsibility falls to its members. Moreover, to provide professional support, academic administrators, as well as to review the internal and overall quality for the purpose of promoting the profession to the best levels of science.
- Work to increase the important role of the internal audit department in the review of the comprehensive quality in an environment of quality.
- Work on developing a positive relationship between the application of Total Quality Management and improve the performance of the internal auditor to fulfill all its responsibilities.
- Work on the development of access to quality.
- Strive for a comprehensive International Quality Certificate; awarded to companies, institutions and commercial and Islamic banks across the world.

**REFERENCE**


