


**THE EXTENT OF THE APPLICATION OF INTERNAL AUDITING STANDARDS IN IRAQI COMMERCIAL BANKS**

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ARTICLE INFO	<b>ABSTRACT</b>
<p><b>Article history:</b></p> <p><b>Received</b> 30 Dezember 2021</p> <p><b>Accepted</b> 07 February 2022</p>	<p><b>Purpose:</b> This research aims to identify the extent of application of internal auditing standards recognized in Iraqi commercial banks.</p>
<p><b>Keywords:</b></p> <p>Internal Auditing Standards; Attribute Standards; Performance Standards.</p>	<p><b>Theoretical framework:</b> the Iraqi commercial banks apply standards of Attribute for internal auditing issued by professional organizations, and that they apply the performance standards that must be taken into account when carrying out internal auditing work.</p>
<div data-bbox="172 994 480 1240">  </div>	<p><b>Design/methodology/approach:</b> In order to achieve these goals, an exploratory study was conducted according to which (48) questionnaires were distributed, of which (36) questionnaires were returned, and the researchers approved the questionnaire analysis on the SPSS statistical program.</p> <p><b>Findings:</b> the result of the research is that Iraqi commercial banks apply internal auditing standards issued by international professional organizations.</p> <p><b>Research, Practical &amp; Social implications:</b> The senior management contributes to addressing the remarks of the internal auditor and taking appropriate measures to implement the suggestions and recommendations he makes.</p> <p><b>Originality/value:</b> This study measures the effects resulting from adoption the international internal auditing standards in the performance of banking activities after the transition to IFRS in iraqi banks.</p> <p>Doi: <a href="https://doi.org/10.26668/businessreview/2022.v7i3.0600">https://doi.org/10.26668/businessreview/2022.v7i3.0600</a></p>

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## A EXTENSÃO DA APLICAÇÃO DAS NORMAS DE AUDITORIA INTERNA NOS BANCOS COMERCIAIS IRAQUIANOS

### RESUMO

**Objetivo:** Esta pesquisa visa identificar o grau de aplicação das normas de auditoria interna reconhecidas nos bancos comerciais iraquianos.

**Estrutura teórica:** os bancos comerciais iraquianos aplicam padrões de Atributo para auditoria interna emitidos por organizações profissionais, e que eles aplicam os padrões de desempenho que devem ser levados em conta ao realizar trabalhos de auditoria interna.

**Design/metodologia/abordagem:** A fim de alcançar estes objetivos, foi realizado um estudo exploratório segundo o qual (48) questionários foram distribuídos, dos quais (36) questionários foram devolvidos, e os pesquisadores aprovaram a análise do questionário no programa estatístico SPSS.

**Conclusões:** o resultado da pesquisa é que os bancos comerciais iraquianos aplicam os padrões de auditoria interna emitidos por organizações profissionais internacionais.

**Pesquisa, implicações práticas e sociais:** A alta gerência contribui para abordar as observações do auditor interno e tomar as medidas apropriadas para implementar as sugestões e recomendações que ele faz.

**Originalidade/valor:** Este estudo mede os efeitos resultantes da adoção das normas internacionais de auditoria interna no desempenho das atividades bancárias após a transição para as IFRS nos bancos iraquianos.

**Palavras-chave:** Normas de Auditoria Interna, Normas de Atributos, Normas de desempenho.

## EL GRADO DE APLICACIÓN DE LAS NORMAS DE AUDITORÍA INTERNA EN LOS BANCOS COMERCIALES IRAQUÍES

### RESUMEN

**Objetivo:** Esta investigación tiene como objetivo identificar el grado de aplicación de las normas de auditoría interna reconocidas en los bancos comerciales iraquíes.

**Marco teórico:** los bancos comerciales iraquíes aplican las normas de atribución para la auditoría interna emitidas por organizaciones profesionales, y que aplican las normas de rendimiento que deben tenerse en cuenta al realizar el trabajo de auditoría interna.

**Diseño/metodología/enfoque:** Para lograr estos objetivos, se realizó un estudio exploratorio según el cual se distribuyeron (48) cuestionarios, de los cuales (36) fueron devueltos, y los investigadores aprobaron el análisis del cuestionario en el programa estadístico SPSS.

**Conclusiones:** el resultado de la investigación es que los bancos comerciales iraquíes aplican las normas de auditoría interna emitidas por organizaciones profesionales internacionales.

**Investigación, implicaciones prácticas y sociales:** La alta dirección contribuye a atender las observaciones del auditor interno y a tomar las medidas adecuadas para poner en práctica las sugerencias y recomendaciones que hace.

**Originalidad/valor:** Este estudio mide los efectos resultantes de la adopción de las normas internacionales de auditoría interna en el desempeño de las actividades bancarias tras la transición a las NIIF en los bancos iraquíes.

**Palabras clave:** Normas de auditoría interna, Normas de atributos, Normas de rendimiento.

## INTRODUCTION

Recent years have witnessed a growing interest by companies in developed countries in internal auditing. This interest has been represented in several aspects, foremost of which is the increasing interest of companies in establishing independent internal audit departments while working to support them with the human competencies that enable them to achieve the goals with the required efficiency and effectiveness (Eulerich & Eulerich, 2020). Joshi & Marthandan (2020) believe that internal audit procedures and processes have evolved from traditional auditing methods to modern methods emanating from professional societies in the United States

and Europe. The most important of which is the planning and implementation of audit activities, so that the efforts of the internal audit department are focused on the most dangerous and important areas of the organization (Pham et al, 2021). (Abdul Wahab 2021) refers to internal auditing as one of the important activities within business organizations, as it is one of the leadership functions for the services it provides to higher departments through its permanent, objective and neutral evaluation of various activities, as these departments resort to it in order to control the course of various processes and activities within the organization. In general, internal audit is related to the control function. And it is used because of insufficient direct control measures imposed by general managers on executive directors and officials of activities and other operational functions. As well as the high percentage of risks associated with the activities practiced by business organizations, and his advisory role helps organizations improve their operations (Nerantzidis et al, 2020). (Hazaea et al, 2020) believes that bank administrations are the institutions most in need of implementing internal audit procedures in accordance with the requirements of international standards and stipulated by international professional organizations (the Basel Committee), which is the authority concerned with monitoring central banks in various countries of the world (Kaya & Utku,2020). (Amoush, 2017) confirms that the internal control system is one of the most important measures that banks take in facing risks and reducing them, as setting up an efficient and effective internal control system, which is applied by individuals and management, constitutes protection for the facility from the risks it faces, and it reduces the possibility of exposure to it to a minimum.

The internal audit activity is witnessing an "amazing" development in every country in the developed world. One of the reasons for imposing this development is the proliferation of economic scandals that shook the existence of large international companies in the last century. Among the most famous of them are what happened in the United States of America and the consequent cases of the collapse of Enron, Worldcom and Xerox, or in Italy with Parmalat, or in France with Vivendi and Le Crédit Lyonnais, or in Switzerland with Adecco, or in Japan with Tyco and Olympus. This failure led to drawing the attention of the international professional institutions supervising this profession, since 2000 they took the initiative to develop the professional practices of internal auditing more than once by reviewing the foundations and rules upon which they are based, and given that it has become an obligation for business organizations to strive to keep pace with improvements. That is entered on the standards and methods of its practice.

The International Professional Practices Framework (IPPF) is the document issued by the Institute of Internal Auditors. This framework is considered a guideline that explains the

conditions for practicing the profession through the necessary guidelines and outlines it contains for auditors and internal audit departments at the level of business organizations (Salem, 2021). Dolinska (2019) believes that the person researching the issue of fraud notices that the opinion of those in charge of organizing the internal audit profession develops from time to time. In contrast to the previous frameworks, which date back to the years 2000 and 2004, in which the responsibilities of internal auditing towards this issue were not well clarified. As the provisions of the international standards for the practice of the profession of internal auditing were satisfied, the framework that came into effect in the beginning of 2010 and after it in 2013 witnessed many fundamental amendments that showed the clear position of the International Society on the issue of fraud. This is done through adequate clarification in the standards, as well as in the other components of this frame of reference and especially in its applied evidence.

## **PREVIOUS STUDIES**

The aim of the study (Cooper et al, 2009) is to determine the extent to which the internal audit practice in companies in the United States of America, the Netherlands, Belgium, the United Kingdom, Italy and Ireland conforms to the internal auditing standards issued by the Institute of Internal Auditors and to determine the extent of compliance with these standards among these countries. The study found that there are differences in adherence to international standards for internal auditing between these countries. As for the study (Alzeban, 2019), it aims to know the impact of applying international internal auditing standards on the quality of financial reports in Saudi joint stock companies. In his study, the researcher relied on the questionnaire form and the annual reports of the joint. stock companies, and two variables were adopted: the quality of benefits and the estimated benefits. The study found that Saudi joint stock companies apply international auditing standards and have high quality financial reports. The study (Bubilek, 2017) aims to know the importance and role of internal audit and internal control in Finnish companies. The researcher relied on the questionnaire form to achieve the objectives of the study. The study found that internal control and internal auditing have an important role in companies, and both contribute to achieving the goals and objectives of the company by organizing the company's activities more effectively, and assisting in decision-making and risk management. While the study (Arayanaswamy & Rama, 2019) aims to identify the extent of the contribution of managers of joint stock companies operating in India and China in support of internal audit, and to compare that with the United States of America. The study found that support for internal auditing by managers of joint stock companies operating in India

and China was negatively linked through pressure on internal auditors to change their results, unlike in the United States of America. As for the study (Madurasinghe & Tennakoon, 2020), it aims to assess the extent to which commercial banks operating in Sri Lanka apply international internal auditing standards. The two researchers relied in their study on the questionnaire, and the data obtained were analyzed using the SPSS statistical program. Among the most important findings of the researchers is that commercial banks in Sri Lanka apply internal auditing standards to different rates. As the features standards were the most applied standards, compared to the implementation standards and performance standards, and the performance standards were the lowest level in application. The study (Dhiaa & Thuraiya, 2020) indicates the extent to which the effectiveness of internal auditing is affected by multiple factors such as the experience of the internal auditor and the scope of the internal audit. In achieving the objectives of the study, the two researchers relied on the questionnaire, and the statistical program SPSS was used and multiple regression and correlation analysis were adopted to find out the extent of the relationships between the studies variables. The study found a relationship between the effectiveness of internal auditing, the experience of the internal auditor, and the scope of the internal audit. As for the study (Skotarenko et al, 2020), it aims to identify the extent to which the application of internal auditing standards contributes to increasing and improving the level of control and auditing on the work of internal auditors in companies. As well as "the extent of its contribution to obtaining additional advantages in the market of audit services provided by internal audit companies. The study concluded that the application of internal audit standards leads to improving the quality of services provided to its clients." As for the study (Aloudat et al, 2020), it aims to find out the importance of applying international internal auditing standards, and the extent of their contribution to reducing corruption and implementing internal controls in joint stock companies operating in the Kingdom of Saudi Arabia. The study found that the application of international internal auditing standards leads to improving the relationship between the external and internal auditors, improving the competencies of workers and contributing to the curbing of corruption.

## THE THEORETICAL FRAMEWORK OF THE RESEARCH

### Internal Audit

#### *The concept of internal auditing standards*

There are many definitions that touched upon the concept of internal audit. This is because the internal audit function has witnessed many developments in its nature and objectives, and these developments have been accompanied by another development in its concept, and thus the definition of internal audit has expanded from period to period to reflect its evolving concept (Cevahir & Çalıyurt, 2021). (Brown, 2020) believes that the audit committee of the American Institute of Banking Management has defined internal audit as “an administrative function that independently assesses the adequacy, effectiveness and accuracy of the control systems in place within the facility and the quality of the ongoing operations”. The American Institute of Internal Auditors defined internal auditing as “a consultative and evaluation activity, objective and independent, that was established in order to develop and add value to the operations of banks and help them achieve their goals by following a systematic and useful approach to evaluate and develop the effectiveness of management, control systems and control processes over the activities of banks” (Chiarini, 2020).

A standard is considered as a term that it is the degree of preference or privilege required for a specific purpose, such as a scale or weight, and others should identify with it and go along with it, and by which the accuracy of their performance is judged (Alzeban, 2019). (Boolaky, & Soobaroyen, 2017) defined the audit criterion as “a tool to judge the level of professional competence, and the degree of consistency that auditors reach when performing their jobs”. (Harahap et al, 2018) affirms that the purpose of the standards is to guide adherence to the mandatory elements of the international professional framework for the practice of internal auditing, to provide a frame of reference for the performance and promotion of a wide range of value-added internal audit services, to lay the foundations for evaluating the performance of internal auditing and to promote improvement of internal auditing processes, and the company works. The International Standards for the Professional Practice of Internal Auditing are the standards and rules by which the operations and services of the internal audit function can be evaluated, as adherence to them leads to the achievement of the objectives of this position (Talha, 2020; Anwar et al., 2021). The internal auditing standards are also the basis for the work of internal auditors, defining their technical responsibilities and following up on their professional performance (Simunic et al, 2015). The auditing standard is defined as “the tool for judging the level of professionalism, and the degree of consistency that auditors reach in their performance”) (Rikhardsson et al, 2019; Maseer & Flayyih, 2021). (Khodjaeva, 2019)

indicates that the internal audit standards are defined as “the standards and rules that are relied upon in evaluating and measuring the operations of the internal audit department, as the standards represent the model of internal audit practice as it should be, according to what has been reached and approved by The Institute of Internal Auditors”. (Rattray, 2020) believes that the internal auditing standards are “a binding performance model that specifies the general rules to be followed when carrying out the audit process or professional custom”. The AICPA has defined auditing standards as “general guidelines that guide auditors to carry out their professional responsibilities in auditing financial statements” (Brown, 2020; Abdul Rahman et al., 2021). (Harahap, 2018) confirms that the generally accepted standards of internal auditing represent “a basis for the work of internal auditors, specifying their technical responsibilities and following up on their professional performance”. (Brenninkmeijer, 2018) believes that internal audit standards are a set of generally accepted standards that define technical and professional responsibilities for internal audits, which are the basis for the internal auditor's work

### ***Importance of Internal Auditing Standards***

The importance of internal audit standards lies in the following (Flayyih & Flayyih, 2019; Joshi & Marthandan, 2020; Al-taie et al., 2020):

- A. It is essential for internal auditors because it lays down the basic principles that they are expected to adhere to when exercising their duties so that they achieve the objective of their existence.
- B. Standards are necessary for management, as the existence of professional standards that internal auditors adhere to will enable management to rely on the assurances and reports that internal auditors present to it when performing their duties in the organization.
- C. The existence of professional standards that internal auditors adhere to is considered necessary for the external auditor to be reassured of the robustness and efficiency of the work of internal auditors.
- D. The standards are guided when preparing training materials for new professionals.

### ***Objectives of Internal Auditing Standards***

The internal audit standards aim to deepen the state of understanding of all administrative levels in business enterprises of the reality of the role and responsibilities

entrusted to internal auditing, and to enhance their awareness of the importance of contributing to improving internal audit performance (Aguolu, 2018). The Institute of Internal Auditors has defined the objectives of the internal auditing standards as follows (Al-Ani & Flayyih, 2018; Alzeban, 2019)

- A. Clarify the basic principles that define how internal auditing should be.
- B. Establishing a general framework for the performance of internal auditing and enhancing the added value of internal audit activities to the widest extent possible.
- C. Laying down foundations for measuring the performance of internal auditors.
- D. Establishing sophisticated regulatory process processes and encouraging improvements in them.

## STANDARDS OF INTERNAL AUDITING

In 1978, the Institute of Internal Auditors issued the List of Standards for the Professional Practice of Internal Auditing that covered various aspects of internal auditing. It included five main departments, namely independence, professional care, scope of internal audit, performance of the internal audit process, and management of the internal audit department (Garven & Scarlata, 2020). (Gueorguiev, 2018) indicates that the Institute of Internal Auditors issued subsequent and supplementary lists that dealt with the various criteria included in the previous list in detail. Such as control concepts and responsibilities, reducing and verifying fraud cases, controlling the quality of internal auditing, auditor working papers, relationship with the external auditor, communication with the board of directors, risk assessment, planning the audit process, following up on audit results, etc. Gueorguiev adds that these details are an extension or clarification of the list of standards issued in 1978 and is not considered an amendment to it. According to (Adu-Nimako, 2020; Ali & Flayyih, 2021), the Institute of Internal Auditors issued in January 2000 a new list of standards for the professional practice of internal auditing that included for the first time since 1978 the introduction of a number of amendments to the list of standards issued in 1978, and also included a number New standards.

The Institute of Internal Auditors re-divided the standards into two main parts instead of five sections as in the previous list (Mokhitli & Kyobe, 2019; Umaralievich & Jurayevna, 2020; Hasan & Al-Ramadan, 2021):

**The First Section: Attribute Standards:** This section describes the features and characteristics that must be available in internal auditors and internal audit departments, and it contains four standards: objectives, powers and responsibilities, independence, objectivity,



competence and professional care, and a program to control and develop the quality of internal audit.

**Section Two: Performance Standards:** This section relates to the process of implementing each process or task of the internal audit process or task and contains seven standards: (managing internal audit activities, the nature of the internal audit work, planning the internal audit process, performing the internal audit process, communicating the results of the internal audit, following up on the results, management's acceptance of risks).

## METHODOLOGY

### Hypotheses

Despite the importance of the role that internal audit plays an important role in Iraqi commercial banks, the Iraqi laws and regulations represented by the Iraqi Banking Law did not address internal auditing nor did they address the development of standards and rules for the professional performance of that job. Hence, we find that there are no specific rules and standards governing the work of internal auditors in the banking sector. This would create heterogeneity in the application of procedures, and thus a difference in business results without observing the minimum level of coordination in those procedures. We find that the internal auditor works in an environment and institutions with different goals, sizes and organizations, in addition to a set of laws that differ from one country to another. This difference in the work environment may affect the productivity and nature of the work of the internal auditor, which called for the existence of standards and foundations governing the work of internal auditing as an attempt to create consistency between the results of the work of internal auditors, and the possibility of relying on them more broadly, and the adoption of internal auditors of these standards helps in facilitating their performance of their responsibilities. Accordingly, the research problem can be formulated with the following questions:

- A. Do Iraqi commercial banks apply the criteria for auditing the characteristics that must be taken into account in the internal audit work?
- B. Do Iraqi commercial banks apply the performance standards to be taken into account in internal auditing work?

To answer these questions and accurately address the research variables, the following hypotheses were formulated.

**The First Hypothesis:** Iraqi commercial banks do not apply the features standards for internal auditing issued by professional organizations.

**The Second Hypothesis:** Iraqi commercial banks do not apply the performance standards that must be taken into account in the internal audit work.

### **Sample**

The research community consists of the 48 internal auditors working in the Iraqi commercial banks listed on the Iraq Stock Exchange. The questionnaire was distributed to all members of the community, as the number of questionnaires distributed to the research sample reached (48) questionnaires, and they were distributed by hand and with the help of a number of the researcher's assistants, and (36) questionnaires returned from them, so the response rate is approximately (75%). This percentage is considered Acceptable to circulate its results to the research community.

### **Methods of Data Collection**

The researchers adopted the questionnaire as a method of research, which is one of the main means of collecting the necessary data necessary to achieve the objectives of the research and test its hypotheses using the SPSS statistical program. The questionnaire list was prepared by the researchers depending on the theoretical aspect that was raised in the research. The questionnaire included (15) questions, and the strength of the answer was determined by using Likert scale to indicate the opinions of each member of the sample. Each of the cases was assigned a weight consistent with its importance, as the answer was assigned strongly agree (5) points, agree (4) points, neutral (3) points, disagree (2), and strongly disagree (1) point. And then testing and analyzing the results according to the appropriate statistical methods to prove the two hypotheses of the research (Al-Jubouri et al., 2017).

### **Statistical Methods Used**

A number of statistical methods will be used and employed for the purpose of describing and analyzing the data on the study variables and testing its hypotheses, by using the computer to extract the results, and by relying on the ready-made applications package (SPSS) (20 V), and the arithmetic mean and standard deviation are used to describe the variables.

## **DESCRIPTIVE RESULTS AND HYPOTHESIS TESTING**

### **Descriptive Results**

This group includes a description of the results of the answers of all the respondents in the research questionnaire, using the arithmetic mean and the standard deviation. The research

included (15) factors that could have an impact on the applicability of internal auditing standards in Iraqi banks. These factors were chosen through the theoretical aspect of the research. Respondents were asked to determine the importance of each factor using Likert scale, graded from 1 to 5, as (5) indicates (strongly agree) and (1) to (strongly disagree)

Table (1) shows the first hypothesis. The results indicate that the most important factors affecting the Iraqi commercial banks' application of the characteristics standards for internal auditing issued by professional organizations are: "The existence of a sufficient awareness of the importance of adhering to the internal auditing standards, and the existence of a legal obligation to adhere to the characteristics standards". In addition to "the existence of an entity or committee responsible for supervising banks commitment to them". As for the less influential factor, it is the results of the work of the internal audit department are subject to evaluation by external committees on a regular basis. The internal auditor takes into account when exerting due professional care, the efficiency and adequacy of risk management, control and control operations in the activities of the bank.

Table (1) Descriptive statistical analysis of the importance of factors affecting the extent of the feasibility of applying the criteria for the characteristics that should be observed in the internal audit work in banks.

Influencing factors	Analysis		
	Arrangement	SD	mean
1. The internal auditor is constantly keen to follow the developments of the internal audit standards and relies on them when performing his work.	5	0.70	4.05
2. The high costs of implementing internal auditing standards.	4	0.92	4.13
3. The internal auditor takes into consideration, when exerting the necessary professional care, the efficiency and adequacy of risk management, control and control processes in the bank's activities.	6	0.63	4.03
4. Existence of an agency or committee responsible for supervising banks compliance with internal auditing standards.	3	0.68	4.33
5. The results of the internal audit department's work are subject to evaluation by external committees on a regular basis.	8	1.07	3.18
6. Existence of a legal obligation to adhere to internal auditing standards.	2	0.50	4.49
7. Internal auditors, as a single integrated unit, have adequate knowledge and profession-specific skills.	7	0.93	3.77
8. Adequate awareness of the importance of adhering to internal auditing standards	1	0.49	4.62
Total		0.684	4.075

As for Table (2), it presents the special results related to the second hypothesis, as the results indicate that the most important factors affecting the performance standards that must

be taken into account in the internal audit work in Iraqi commercial banks are: The internal auditor makes sure that the bank has established sufficient standards and measures to determine Whether the goals and objectives have been achieved, the internal audit activities contribute to the development of risk management and control systems in the bank, whereas, the internal auditor makes sure of the existence and matching of assets with the records by taking a snap count periodically. As for the less influential factor, it is represented in: Ensuring that senior management addresses the internal auditor's remarks and takes appropriate measures to implement the suggestions and recommendations. And the cooperation of the committees that are audited, the internal auditor checks the consistency of the applied systems with the plans, procedures and systems. The internal auditor verifies that the controls over the records and reports are adequate and effective.

Table (2) is a descriptive statistical analysis of the importance of factors affecting the performance standards to be taken into account in the internal audit work in Iraqi commercial banks.

Influencing factors	Analysis		
	arrangement	SD	mean
1.The internal auditor verifies that the control aspects of the records and reports are adequate and effective.	6	0.90	4.11
2.The internal auditor ensures that the bank establishes sufficient standards and measures to determine whether the goals and objectives have been achieved.	1	0.82	4.42
3. The internal auditor presents the facts that the audit has revealed without any external influence.	7	1.17	3.97
4.The internal auditor periodically checks for the existence and matching of assets with records through snap inventory.	3	0.64	4.26
5. Top management ensures that the internal auditor's remarks are addressed, and appropriate measures are taken to implement the suggestions and recommendations and the cooperation of the bodies being audited.	4	0.81	4.20
6. The internal audit activities contribute to the development of risk management and control systems in the bank.	2	1.01	4.29
7.The internal auditor verifies that the applied systems are consistent with the plans, procedures and systems.	5	1.27	4.17
total		0.946	4.203

### Hypothesis Testing

A. The first hypothesis test: The hypothesis in this research states the following: " Iraqi commercial banks do not apply the features standards for internal auditing issued by professional organizations"

This hypothesis was tested through the actual responses data using test  $-Z$ , as shown in Table (3).

Table (3) Z – Test results to find out the extent to which commercial banks apply the standards of personality in internal auditing

Hypothesis test results	Z		Sample volume	mean	factor
	Tabular	Calculated			
Reject hypothesis	1.95	9.353	36	4.075	All paragraphs

Table (3) shows that the calculated value of (Z) of (9,53) is greater than (Z) tabular value (1.95), thus rejecting the null hypothesis according to which “Iraqi commercial banks do not apply standards for internal auditing characteristics issued by professional organizations”, And the alternative hypothesis is accepted that “Iraqi commercial banks apply internal auditing standards issued by professional organizations”.

**B. The second hypothesis test:** The hypothesis in this research states the following: “Iraqi commercial banks do not apply the performance standards to be observed in internal auditing”

And this hypothesis was tested through the actual responses data using test Z - and as shown in Table (4).

Table (4) Z-Test results to see the extent to which Iraqi commercial banks apply performance standards in internal auditing work

Hypothesis test results	Z		Sample volume	mean	Factor
	tabular	calculated			
Reject hypothesis	1.95	7.523	36	4.203	All paragraphs

Table (4) shows that the calculated value of (Z) of (7,523) is greater than (Z) tabular value (1.95), and thus rejects the null hypothesis and accepts the alternative hypothesis according to which “Iraqi commercial banks apply the performance standards that must be taken into account in business internal audit “.

## CONCLUSIONS AND RECOMMENDATIONS

The researchers were able to reach the following conclusions and recommendations:

- A. Internal auditors, as a single integrated unit, have adequate knowledge of profession-specific skills.
- B. The senior management contributes to addressing the remarks of the internal auditor and taking appropriate measures to implement the suggestions and recommendations he makes.

C. Iraqi commercial banks apply internal auditing standards issued by professional organizations.

D. The Iraqi commercial banks implement the performance standards that must be taken into account when undertaking internal auditing work.

In light of the Conclusions, the researchers recommend the following:

A. The necessity of continuing to develop the skills of internal auditors through specialized training programs in the field of the profession.

B. The higher management of Iraqi commercial banks should support the actual and apparent independence of internal audit departments, and be given sufficient powers to perform their duties efficiently.

C. The knowledge and professional capabilities of the internal auditor should be developed through engaging him in internal and external training courses to help him see the latest developments in internal auditing standards.

D. An association for internal auditors should be established, concerned with the affairs of the profession and its members, the future of the profession, and the development of its working mechanisms, with new global variables, similar to the Association of Accountants.

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