

# KSA AGAINST FINANCIAL CORRUPTION THROUGH INTERNAL AUDIT PERSPECTIVE

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## ABSTRACT

*This study aims to clarify the deep history of internal audit, emphasize on some extremely important points, discuss key related concepts, while shedding the light on the types of internal audit, steps of internal audit, and some commonly used terms.*

*The role of KSA in battling financial corruption is deeply discussed, and the role of SOCPA in enriching the role of auditors and accountants in keeping the bookkeeping process as safe as possible. Eventually, some of the futuristic aspirations of internal audit were discussed, what to expect in the upcoming years, and final thoughts and recommendations.*

**Keywords:** Audit, Internal Audit, External Audit, Fraud, Financial Fraud, Accounting

## INTRODUCTION

Internal audit was and still is a major assistance for organizations, supporting firms to achieve their destinations by bringing an orderly, restrained way to deal with assess and work on the viability of risk management, control, and governance processes. Internal auditing may accomplish this objective by giving understanding and suggestions dependent on examinations and appraisals of information and business processes. With a promise to confidence and responsibility, internal auditing offers some benefit to governing bodies and senior management as a genuine wellspring of autonomous guidance (Sharif, Hafiz & Bashir, 2017).

The extent of internal auditing inside an organization might be expansive and may include points like an organization's governance, risk management and management powers over: proficiency/viability of tasks, the unwavering quality of financial and management reporting, and consistence with laws and guidelines. Internal auditing may likewise include leading proactive fraud audits to recognize possibly fraudulent demonstrations; partaking in fraud examinations under the bearing of fraud examination experts and directing post-examination fraud audits to distinguish control breakdowns and build up financial misfortune (Zureigat, 2015). Internal auditors are not liable for the execution of organization exercises; they instruct management and the board with respect to chiefs in regard to how to execute their obligations more readily. Because of their expansive extent of contribution, internal auditors might have an assortment of higher instructive and expert foundations (Sharif, Hafiz & Bashir, 2017). The internal auditing profession developed consistently with the advancement of management science after World War II. It is reasonably comparative in numerous ways to financial auditing by open accounting firms, quality confirmation and banking consistence

exercises (Sharif, Hafiz & Bashir, 2017). While a portion of the audit procedure fundamental internal auditing is gotten from management counseling and public accounting callings, the hypothesis of internal auditing was considered principally by Lawrence Sawyer (1911–2002), regularly alluded to as "the Father of Modern Internal Auditing"; and the current way of thinking, hypothesis and practice of current internal auditing as characterized by the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors owes a lot to Sawyer's vision (Sawyer, Lawrence 2003). With the first real application in the United States of the Sarbanes–Oxley Act of 2002, the calling's openness and worth were improved, as numerous internal auditors had the right stuff needed to assist organizations with meeting the prerequisites of the law. Be that as it may, the concentration by internal audit divisions of public corporations on SOX-related financial strategy and strategies wrecked advancement made by the calling in the late twentieth century toward Larry Sawyer's vision for internal audit. Starting in around 2010, the IIA by and by started supporting for the more extensive job internal auditing should play in the corporate field, with regards to the IPPF's way of thinking (Sawyer, Lawrence 2003).

## LITERATURE REVIEW

Interior auditing process as it identifies with corporate governance has in the past been by and large casual, achieved fundamentally through cooperation in gatherings and conversations with individuals from the directorate. The internal auditor is frequently viewed as one of the main pillars of corporate governance, different columns being the directorate, management, and the external auditor. An essential center space of internal auditing as it identifies with corporate governance is helping the audit committee of the top managerial staff play out its obligations adequately. This might incorporate reporting basic management control issues, recommending questions or points for the audit committee's gathering plans, and planning with the external auditor and management to guarantee the committee gets powerful data. Extortion is certainly not another miracle identified with some significantly declared examples of financial fraud from the latest two centuries. It might be observed first thing all through the whole presence of our existence as men have used tricks, control, and deceiving to get cash, land, items, or trust, with the overall objective of making a Gain. The creation of accounting and audit are related in economic history with the hankering, to contain and thwart taking and contortion in their funds (Rahim et al., 2020). Furthermore, when the business trades blossomed during a period or another, the need to follow trade similarly emerged at this point at a rough level. However, with financial achievement came furthermore the impulse to deceiving and control others for self-advantage. Control frameworks were, in like manner, made by state foundations to affirm and manage the use of resources and the circuit of trades, during the middle ages, in any case, the premium to control financial documents and accounts and to affirm the use or maltreatment of resources extended in Western Europe. The basic objective was to find individuals who got away from portion, appropriated saves, or manhandled cash and property, and to yield them to value.

## INTERNAL AUDIT

The aim of auditing internally is to give knowledge into an organization's way of life, strategies, methodology, and helps board and management oversight by confirming internal controls like working adequacy, risk relief controls, and consistence with any applicable laws or guidelines. Compelling internal audits offer so many businesses helps that we could compose a whole book about them. Get the job done to say that, beside the expense of paying an auditor, and these exceptionally prepared, confirmed experts don't come modest, there truly is no drawback.

### Interior Audit Computerizing

Computerizing the Internal Audit Processes requires less difficult work and consequently the manual serious assignments can be put something aside for other significant dynamic capacities of the organization. Better yield with diminished expenses. The automation of the internal audit takes into account more noteworthy exactness of the processes (Hazaea et al., 2021).

The following are a couple of instances of how interests in internal audit mechanical process automation advancements can yield positive re-visitations of the business:

1. **Better Utilization of Scant Assets:** By supplanting manual exercises, internal audit RPA can let loose limit with regards to groups, permitting staff to zero in on higher-esteem exercises, for example, quality confirmation surveys, exemption management, process improvement, and relational collaborations. Thus, this shift toward esteem added exercises can work on working viability, permitting the IA organization to stay up with business changes and the related effect.
2. **Expanded Productivity and Diminished Expenses:** RPA&CI can work and execute audit assignments nonstop at a sped-up pace, by and large, in excess of 90% quicker than manual processes. By diminishing tedious manual exercises, internal audit automation can prompt massive expense investment funds (Dobia et al., 2019).
3. **More Excellent Yield:** RPA&CI empowers assignments to be performed all the more consistently and productively. Additionally, the outcomes are exceptionally discernible and auditable. With inborn process normalization, less manual mistakes are probably going to happen, which works on the exactness and nature of audits. At the point when missteps, manual or in any case, are made, they can be distinguished all the more promptly and redressed all the more effectively because of the orderly idea of the process.
4. **More Business Esteem:** Nearly every internal audit organization looks to build confirmation and inclusion. RPA&CI promotes this objective by empowering internal audit to move from factual inspecting to full populace testing. These innovations can likewise empower organizations to build the recurrence of testing, and by and large, progress to a constant auditing model for giving all the more ideal experiences to the business. As advancements advance, business esteem is relied upon to increment couple, empowering proactive experiences and main driver investigation in Reporting (Yarlagadda, 2018).

### Internal Audit Benefits

1. **Solid Internal Controls:** Evaluating your undertaking's control climate is your internal auditor's main errand. Internal audits assess your internal controls, which contain activities, frameworks, and

- processes including checking to guarantee that they are very much planned and executed and that they are functioning as they ought to be regardless of who serves in what job. The COSO (Committee of Sponsoring Organization) Framework characterizes "Inside control" as "a process, affected by an element's governing body, management, and other work force, intended to give sensible confirmation in regard to the accomplishment of targets identifying with activities, reporting, and consistence." (Wu et al., 2017).
2. **Proficiency:** Internal audits spot redundancies in your business practices and strategy and your governance processes and accompany proposals on the most proficient method to smooth out, setting aside time and cash (Al Hayyan et al., 2021).
  3. **Security:** Internal audits investigate your online protection climate, counting all your advanced gadgets, for example, and analyzing whether they are gotten in accordance with your approaches. They likewise search for weaknesses in your advanced frameworks and networks and exhort on the most proficient method to close holes.
  4. **Respectability:** Headline-getting instances of fraud at the turn of the 21st century fraud including significant organizations including Enron were the impulse behind the COSO system. Because of the outrage, Enron failed. Proviso emptor: People aren't generally fair.
  5. **Diminished Danger:** Internal audits think about every one of the recognized dangers to your endeavor and break down whether your danger alleviations are functioning as they ought to. Where they aren't, audit reports will listen for a minute you really want to do to determine the issue (Alqahtani, 2019).
  6. **Further Developed Consistence:** Internal audits really take a look at the laws, guidelines, and industry norms with which your organization needs to consent and decide if you are, indeed, agreeable. Where you come up short, auditors prescribe how to cure the issue.

## Types of Internal Audit

1. **Consistence Audits:** assess consistence with pertinent laws, guidelines, strategies, and systems. A portion of these guidelines might fundamentally affect the organization's financial prosperity. Inability to conform to certain laws, for example, the Foreign Corrupt Practices Act (FCPA) or General Data Protection Regulation (GDPR), may bring about large number of dollars in fines or block an organization from working together in specific wards.
2. **Environmental Audits:** evaluate the effect of an organization's procedure on the climate. They may likewise evaluate the organization's consistence with ecological laws and guidelines.
3. **IT Audits:** may assess data frameworks and the basic foundation to guarantee the exactness of their Processing, the security and private client data or protected innovation. They will ordinarily incorporate the evaluation of general IT controls related legitimate access, change management, framework tasks, and reinforcement and recuperation.
4. **Functional Audits:** evaluate the Organization's control systems for their general proficiency and unwavering quality.
5. **Execution Audits:** assess whether the organization is meeting the measurements set by management to accomplish the objectives and destinations set out by the Board of Directors.

## Internal Audit Steps

1. **Planning:** During the arranging Process, the Internal Audit group will characterize the degree and targets, survey direction applicable to Audit (e.g., laws, guidelines, industry norms, organization arrangements, and methods, and so forth), survey the outcomes from past Audits, set a course of events and financial plan for the Audit, make an Audit intend to be executed, recognize the Process proprietors to include, and plan a startup gathering to initiate the Audit (Lessambo, 2014).
2. **Fieldwork:** Fieldwork is the genuine demonstration of Auditing. All through this stage, the Audit group will execute the Audit plan. This generally incorporates talking with key faculty to affirm a comprehension of the Process and controls, investigating significant archives and antiquities for

- instance execution of the controls, testing the controls for an example throughout some stretch of time, recording the work performed, and recognizing exemptions and suggestions.
3. **Reporting:** As one may figure, Internal Audit will draft the audit report during the reporting stage. The report ought to be composed obviously and concisely to stay away from distortion and to urge the target group to really peruse and comprehend the report. Discoveries ought to be joined by proposals that are significant and lead straightforwardly to process enhancements. The process of giving an Internal Audit report ought to incorporate drafting the report, evaluating the draft with management to guarantee the precision of discoveries, and issuance and dispersing the last report.
  4. **Follow-up:** The last stage is a significant one that is frequently ignored and disregarded. Following up is basic to guarantee that the proposals have been carried out to address the discoveries distinguished. This Process ought to incorporate fitting development with Process proprietors expecting to carry out the proposals just as board oversight of the organization's general status intending to discoveries distinguished by internal audit. On the off chance that an organization neglects to circle back to the execution of proposals, it is impossible that the progressions will be made.

## RELEVANT TERMS

### Audit

The assessment or investigation of different books of accounts by an auditor followed by physical checking of stock to ensure that all offices are following archived procedure for recording exchanges. It is done to discover the exactness of financial statements given by the organization.

### Internal Audit

An unbiased, objective affirmation and counseling action intended to add esteem and work on an organization's tasks. It assists an organization with achieving its goals by bringing a precise, trained way to deal with assess and work on the adequacy of risk management, control, and governance processes.

### External Audit

An external audit is an examination that is conducted by an independent accountant. This type of audit is most commonly intended to result in a certification of the financial statements of an entity. This certification is required by certain investors and lenders, and for all publicly held businesses.

### Fraud

An intentionally deceptive action designed to provide the perpetrator with an unlawful gain or to deny a right to a victim. Types of fraud include tax fraud, credit card fraud, wire fraud, securities fraud, and bankruptcy fraud. Fraudulent activity can be carried out by one individual, multiple individuals or a business firm as a whole.

## **Financial Fraud**

It very well may be extensively characterized to incorporate bogus statements, deceiving statements, or exclusions of material realities. Various sorts of fraud happen; however, most fraud plans are expected to enhance the people who are engaged with executing the wrongdoing. The plans may likewise be unlawful, on the state level, on the government level, or (Gupta, Verma & Rao, 2020).

## **Accounting**

It is the most common way of recording financial transactions relating to a business. The accounting system incorporates summing up, investigating, and reporting these exchanges to oversight organizations, controllers, and tax collection substances

## **Robotic Process Automation (RPA)**

a product technology that makes it simple to assemble, convey, and oversee programming robots that imitate human activities connecting with advanced frameworks and programming. Actually, like individuals, programming robots can do things like arrangement what's on a screen, finishing the right keystrokes, exploring situation, recognizing and removing information, and playing out a wide scope of characterized activities. Yet, programming robots can do it quicker and more reliably than individuals, without the need to get up and stretch or take a short breather (Alberti et al., 2020).

## **Continuous Integration (CI)**

CI pipeline permits you to robotize your robot conveyance process. The pipeline will start the form from your variant control framework and subsequent to finishing each progression the bundle will dwell inside your Orchestrator, fit to be executed (Alqahtani, 2019).

## **The COSO (Committee of Sponsoring Organization) Framework**

A system for planning, executing, and assessing internal control for organizations, giving undertaking risk management. It was distributed for the internal control-integrated framework, and it is generally utilized in the United States (Dobia et al., 2019).

## **The Saudi Organization for Chartered and Professional Accountants (SOCPA)**

A professional body pioneering and overseeing the accounting and auditing profession in the Kingdom of Saudi Arabia. It aims to improve and contribute to the development of the practice of the profession whilst monitoring its performance quality. SOCPA works also to raise awareness of the rules that governs the practice and ultimately enhance the participation of the profession in serving the community and the national economy. SOCPA also works tirelessly to support business-related individuals, institutions, and other groups in order to boost confidence

and increase transparency in financial statements and protect their users and investors alike (SOCPA, 2021).

## **KSA PROCEDURES AGAINST FINANCIAL CORRUPTION**

As Saudi Arabia separates its economy and presents changes in for all intents and purposes all circles of life, it is moving toward its fight against corruption extraordinarily genuinely. In 2017, a chamber was outlined under Crown Prince Mohammed bin Salman to uncover corruption and help the Kingdom with understanding its genuine financial potential. The warning gathering was empowered to investigate joined claims and cases, issue catch warrants, power travel limitations on suspects, reveal and freeze ledgers, test cash trails, and assets, and thwart their trade. In 2019, the leading group of trustees took care of its business with a normal worth of settlement totals over SR400 billion (107 billion dollar), just as taking assets, similar to land and stocks. Suspects included agents of a couple of services who were blamed for pay off, maltreatment of force, and fabrication. As shown by a World Bank report, the result is costing the world over

1 trillion dollars (World Bank Annual Report, 2012) which could be used for people denied in all countries. Regardless its antagonistic result on the economy, corruption causes other damage, for instance, dissolving trust in open region organizations and wasting public resources saved for critical neighborhood structure projects. This infers that overall society needs to persevere through bad quality government adventures and organizations. Defilement causes social inappropriate behavior and political disturbance. Saudi Arabia's outrageous endeavors to fight defilement have achieved a dealt with situating of 51 out of 180 countries in straightforwardness world wide's debasement insights Index (Talat Zaki Hafiz, 2021).

### **SOCPA Roles**

1. Regulating the accounting and auditing profession and applying the required quality controls to its performance.
2. Developing and adopting accounting and auditing standards, as well as any other professional standards of relevance.
3. Qualifying and training of accounting and auditing practitioners and certifying professional exams.
4. Increasing the society's confidence in the auditing profession and maintaining it.

## **CURRENT AUDITING TRENDS IN KSA**

### **Artificial Intelligence (AI)**

AI is no longer a theory. Many Auditing firms have already started investing in AI to automate many tasks that were previously done manually. AI helps in understanding the entirety of a ledger and identifying anomalies based on risk rather than rules. This further works with the hailing of surprising installments or exercises that would not ordinarily be begotten by customary testing rehearses. Artificial Intelligence-based frameworks can consistently learn and adjust to information and lessen the measure of work from the two firms and customers. Artificial Intelligence would not supplant a human labor force; rather, it would work close by individuals,

Automating enormous and complex information errands and helping with decision making. Artificial intelligence technology itself isn't exclusive, and thus it isn't required that main enormous firms offer auditing arrangements utilizing this technology.

### **Robotic Process Automation (RPA)**

RPA varies from Artificial Intelligence as RPA can't gain from information examples and make decisions. RPA is generally utilized by auditing firms to gather audit proof when the information is in various organizational Systems that are not coordinated. Regions like compromises, audit affirmations; age of messages, etc. can be worked with utilizing RPA. RPA is to some degree costly to carry out yet can give financial just as non-financial advantages.

### **Remote Workforce**

The implementation of cloud-based accounting and auditing software and artificial intelligence can also help to facilitate a more remote workforce. No longer do auditors or other staff members need to be in the same building to complete their assigned tasks. Instead, they use cloud-based applications as well as collaborative tools that provide easy communication between key staff members and management, allowing both you and your staff the freedom to operate from anywhere (Alberti et al., 2020).

## **CONCLUSION**

This Study covered numerous aspects of the auditing process, checked on the auditor's job, and examined a few critical ideas and terms identified with auditing straightforwardly and by implication while revealing an insight into the audit interaction in KSA. A conversation of the advantages of internal audit, the significance, and the means of internal audit.

An inquisitive examination occurred on the effect of financial corruption on the internal audit process as flawlessly as conceivable under the current conditions.

At last, a confident investigate the fate of internal accounting in KSA was viewed and explaining the critical job of modern technology in conduction the auditing system, driving the way to a decision and a smart suggestion.

There will be central changes in ventures all through the world. The universe of Business and Accounting should adjust to new cycles and thoughts to stay pertinent in a post-Covid world. Thusly, Accountants need to utilize Technology and instruments to further develop effectiveness and increment manageability. Businesses that are not enabling any of the new trends in their accounting and finance departments are clearly at a loss. Not following these would slow down their activities and push them lower into the market competition. Hence, evolving with time and changing as the world changes have become more of a necessity than a choice.

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