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# The Role of Internal Audit in Evaluating Sustainable Performance and its Impact on the Quality of Financial Reports

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**Abstract.** This research aims to demonstrate the role of internal audits in evaluating sustainable performance and its impact on financial report quality using the balanced scorecard. It also drew the internal auditors' attention in industrial companies to the importance of evaluating sustainable performance and its influence on financial report quality. The researchers used the parallel scorecard to assess the General Company for Automotive and Equipment Manufacturing performance for the years 2017-2020. The General Company for the Production of Automobiles and Equipment and its factories, but not at the required level, and the internal audit of the General Company for the Production of Automobiles and Equipment focuses its work on the economic aspect in a big way and on the traditional financial reports whose data is quantitative and includes cash only. There is also a weakness in the internal audit concerning auditing business and reports prepared by the authorities responsible for the environmental aspect. In light of the conclusions, The researcher made several suggestions, the most important of which are due to the presence of contributions and interests in aspects of sustainable development by the research sample company, so it should prepare sustainable performance reports instead of Traditional financial reports because of the great importance of these reports in reporting all the achievements made by them, whether quantitative or descriptive and thus improving the company's reputation and image in the community.

**Keywords.** Internal Audit, Performance Evaluation, Balanced Scorecard, Quality of Financial Reports

## 1. Introduction

The emergence of the profession of internal auditing was linked to the emergence of the science of accounting, which passed through various stages and stations before it reached its current form. The objective of the internal audit profession was to discover defects that later turned into a tool to reduce fraud and maintain assets and other businesses committed to them; on the other hand, internal audit must adjust its methods and processes to meet current and future needs,

The concept of sustainable development appeared for the first time in 1992, then the concepts of environmental quality in 1996 and then social quality in 2008. As a result of the transformation of the concept of performance from financial and accounting performance to the all-around performance that guarantees financial, social and environmental performance, this means achieving the three axes of the concept of sustainable development (economics, environment, social). By integrating the principle of social responsibility, the institution or organization will have gone beyond the traditional view that looks at profit as its primary goal

and expands to include the general interest of society, which expresses the concept of long-term performance. One of the primary objectives of financial reports is to provide high-quality financial information about performance Corporate finance and assistance in making economic decisions. For the information in the financial reports to be helpful to users, the quality of the financial reports and the opinion of the internal auditor are separate topics, which is a reflection of the level of assurance. The information is similar and helps stakeholders monitor management's performance, and the auditor's opinion is a judgment on whether its quality has been achieved or not.

## **2. Background**

The study (Gazi, Atan, & Kılıç, 2022) indicated that performance evaluation is an essential tool for managers in the banking sector, which is undergoing frequent and rapid changes, allowing banks to maintain a high level of returns and reach their goals while maintaining their competitiveness. In this context, sustainable performance management has emerged as necessary for the banking sector to raise the accounting information system's efficiency and effectiveness on the overall business performance and achieve a sustainable balance. According to (Rafiq, Maqbool, Martins, & Mata, 2021), strategic organizational programs are constantly evolving and gaining attention from policymakers in order to build the environmental, social and economic systems of organizations; the relationship between the Balanced Scorecard (BSC) and the Sustainable development involves the mediating influence of political and regulatory influence. To achieve the fundamental objectives of the research and apply the quantitative (positive) research method. As (Al-Mandalawi, Abid, & Alsalmani, 2021), address the ability and capabilities of internal audit to achieve and develop sustainable audit performance in commercial banks by measuring the extent of their application of international standards, the professional practice of international internal auditing with sustainable aspects related to features and performance standards to diagnose areas of strength and weakness, where the theoretical and inductive approach was followed for the practical side. Applying the International Internal Audit Standards (IIA) with environmental, social and economic aspects works to achieve and develop management with sustainable thinking and strategic orientation. The results of the (Hegazy, Hegazy, & Eldeeb, 2020), study indicate that the proposed BSC metrics' development and use will enhance audit firms' performance. Audit firms will have a better understanding of various performance drivers and strategies and thus create a competitive advantage.

We did not find among the studies reviewed the use of the BSC to measure the sustainable performance of the internal auditor. For this, it was necessary, in our opinion, to delve into this issue.

## **2. Literature Review**

### **2.1 Introduction to sustainable internal auditing and performance evaluation**

According to (Lastianti, Muryani, & Ali, 2018), an internal audit is a department within a company or organization, along with other departments. With the progress of work in this field, the internal audit function has expanded to include all types of audits, such as operational audits, compliance audits, risk assessments, etc. The internal audit makes a meaningful contribution to the company's environment in which it operates. The definitions of internal audit that many scholars have given vary in the importance of internal auditing. as Kashima 2019:19 sees, an internal audit is an independent evaluation function created within the company to examine and evaluate its activities. Its goal is to assist stakeholders in carrying out their responsibility effectively to enhance the organization's internal control. The study (Eman & Rahma, 2019, p. 4) indicated that an Internal audit operates as an essential activity within the company and adds value in the modern business environment, as it was reported (Jawad and

Ahmed, 412:2020) that one year of internal audit can be compared to three years of external audit, and that its advisory role creates value for the company by improving opportunities and plans functionality, as well as reducing risks to acceptable levels. By assisting the management of the organization in achieving the strategic objectives of the organization while meeting the expectations of stakeholders. Also, an internal audit is essential as a management tool to ensure the functioning of the economic unit because it not only finds errors in the processes of applying the laws that govern public activities but also reveals errors in the laws themselves.

## **2.2 Internal audit quality**

The IIA requires the internal auditor to plan and perform work so that they can produce helpful audit findings and make recommendations for improvement. The ability of the internal audit department to properly plan, implement and report the results of audits is usually taken as a proxy for audit quality. Therefore, it can be said that the quality of the audit is a function of the broad experience of the employees and the reasonableness of the scope of service; Effective planning, implementation and communication of internal audits, in addition to the Standards of Audit No. (65) (AICPA, 1991) have highlighted some of the internal audit quality factors, which include the following: Qualifications. The objectivity factor is measured by the parties who have examined or evaluated the internal audit report and the parties responsible for its appointment. The quality of the internal audit engagement is measured by the level of accuracy and scope of the audit. The Institute of Internal Auditors (IIA, 2003) has added three other factors, including the level of internal auditors' independence, objectivity, and efficiency. The management of the organization, as well as the external auditors who usually determine the level of reliability of the work and the internal auditor's report as a procedure for assessing the quality of the internal control system in place in the organization, should. (2021:19 @Izedonmi&Olateru,)

## **2.3 Evaluating the sustainable performance of internal audit**

Performance is described as the result of an economic unit's operations over a while, such as a year, and is derived through the unit's use of the resources available to it; When resource use is appropriate, performance is good. (Anis, 148: 2020), as it was known as one of the primary indicators used by the economic unit to determine its success or failure, as well as to assist senior management in making critical and strategic decisions in the economic unit (Nhamo et al., 2021, p. 11). The practice of internal auditing in different and diverse legal and cultural environments benefits organizations that differ in terms of objectives, size, complexity and structure. People inside or outside the institutions also practise internal audits. Although these differences may affect the practice of internal auditing in each environment separately, adherence to the International Standards for the Professional Practice of Auditing (the Standards) is essential for internal auditors and the internal audit activity to fulfil their responsibilities. To practice internal auditing and provide a reference framework for performing and promoting a wide range of value-added internal audit services. It also aims to lay the foundations for evaluating the performance of internal auditing and enhancing and improving the operations and work of the institution. These standards require a set of mandatory requirements based on principles (IIA, 2016). Sustainable performance is a way to put the capabilities of the economic unit and its technological tools to improve the quality of its products, services and operational processes to achieve the economic unit's vision and purpose. The economic unit helps identify the most important goals and objectives that must be achieved and removes any obstacles or barriers that prevent the economic unit from achieving its goals. It enables it to achieve its goals by setting unique guidelines for dealing with crises and disasters and assisting management in ensuring that employees have the experience and skills necessary to perform their duties, as well as assigning each person to the appropriate location as part of

the business unit, the commitment to implement sustainability standards. (Nappi&Rozenfeld,2015:8)

#### **2.4 Dimensions of sustainable performance**

The sustainable performance variable is measured at multiple environmental, social and economic levels. It has been called the "Three Pillars of Sustainability" because it helps bring in and assess an organization's sustainability performance by providing decision-makers with information. (Bi, et.al, 2017:18)

**Environmental dimension:** Defined as an accurate interpretation of environmental activities and an adequate assessment of environmental obligations, which means that the organization is responsible for protecting living organisms, efficient use of resources, minimization and disposal of waste, appropriate use of energy, minimization of risks and losses, insurance coverage, marketing of safe products, etc. Environmental management, environmental transparency and the importance of achieving the environmental suitability of the company. Environmental performance indicators for organizations appear as a result of the organization's impact on natural systems and help in identifying the most important environmental effects, displaying and linking the organization's environmental goals and staff development, as well as rationalizing prices to meet human needs, raising the standard of living and reducing and rationalizing resource consumption. To ensure its continuity. (Belhadj, 2016:34)

The social dimension: is to maintain a balance between economic efficiency and labour productivity for individuals and society through the use of renewable and non-renewable natural resources, to promote social development arising from organizational performance, and thus show many laws, regulations and penalties. In this field, performance requires linking the competitive business strategy in organizations and social management in order to achieve balance, so performance requires linking the competitive business strategy in organizations and social management in order to achieve balance, so performance requires linking a competitive business strategy in organizations and social management and individual and collective customer requirements for services or products in order to balance the needs, expectations and aspirations of stakeholders. Organizations achieve sustainable performance for customers in the community in terms of their ability to generate value for the product or service provided to the community by achieving high quality of service or product, reasonable price for all social classes, and timely delivery with the lowest percentage of which all contribute to the sustainability of service excellence and increase Market share in the targeted sectors and community loyalty to the institution. (Al-Mowajda, 24:2019)

**The economic dimension:** The organization can achieve the financial goals of satisfying shareholders and stakeholders through satisfactory rates of return on investment, and the financial goals are the basis for measuring the economic dimension of the organization. It also shows the organization's long-term performance and the plan's implementation. Progress and the economic component help measure the organization's long-term success by comparing industry-specific competition indicators and determining its long-term potential. (Al-Quraishi, 37:2017)

#### **2.5 Balanced Scorecard**

It is a method for evaluating and evaluating strategic performance that helps economic units analyze their activities and performance in light of their vision and strategy. The economic unit and its assistance in providing management with feedback information that helps in correcting the course of strategic plans (Anthoula & Alexandros, 2011, p. 67)), and the balanced scorecard (BSC) was defined as a comprehensive set of performance measures that focus on the current status of the economic unit in addition to its future vision. With the primary objective

of providing a balanced view of the performance of the economic unit based on its views. The importance of non-financial measures in focusing on achieving future performance and financial measures for analyzing past judgments. As a result, the card maintains a balance between short- and long-term goals, financial and non-financial indicators, cause-and-effect indicators, and internal and external performance perspectives. (Lee, 2012: 9-10), The BSC Balanced Score Card has several significant advantages when evaluating the strategic performance of economic units. (Pineno, 2012: 23), it also helps develop a hierarchical model of strategic objectives and all perspectives of the balanced scorecard, which arose in the company's strategy and aligns with all objectives of the financial perspective. (Radu, 2012: 456),

Moreover, it is also a method for implementing the strategy by directing managers' attention to the essential success elements of the plan and rewarding them for achieving them, as well as a tool for coordinating activities within the economic unit. (Blocher et al., 2019: 46), Furthermore, unlike traditional financial indicators, which are only effective in reporting what happened in the past without showing how to achieve the desired benefit in enhancing future performance, the card serves as the cornerstone for determining the success of the economic unit current and future. (Kaplan & Norton, 2001: 153)

## **2.6 The sustainable performance of internal auditing and the quality of financial reporting**

Internal audit supports the corporate governance and strategic decision-making processes by analyzing the various existing risk management systems and highlighting areas that could be problematic for the organization. The rising interest in sustainability reports has increased the demand for guarantees on these disclosures to increase their credibility. (Ganesan, et.al, 2017: 137), The need to produce a high-quality financial report has become a global phenomenon (Echobu et al., 2017: 67) and an exciting issue for board members, stakeholders and professional accountants due to significant scandals in circles of International Finance. More questions and concerns were raised about the quality of financial reporting. (Salehi et al., 2018: 6), Moreover, for this reason, the quality of financial reports (FRQ) has become a desirable topic for researchers to define, but they disagreed on a specific and comprehensive definition of the quality of financial reports due to the difference in views, In order to reach a comprehensive concept of the quality of financial reports, it must first be detailed to its essential components (financial reports and quality) from the accounting point of view. As for financial reporting, it was previously seen as a low-priority bookkeeping and documenting process, but it is now considered a central function of guiding the company according to the principles of good corporate governance. (Paulinus, et.al, 2017:117), Furthermore, constitute the basis for making economic decisions by various stakeholders. The financial reports produced by the accountant must be based on some essential qualities required by stakeholders to understand the report's content (Paulinus et al., 2017, p. 123). The general purpose of issuing financial reports is to provide information related to the financial budget, performance and cash flow (Irwandi & Pamungkas, 2020, p. 25), and the quality of financial reports is complementary to its concept. It is essential for decision-makers and stakeholders and familiar with financial reports that high-quality financial reports facilitate more transparency. This transparency reduces information asymmetry and meets the needs of investors and stakeholders. Pamungkas, 2018:27)), high-quality financial reporting is critical to increasing management control and avoiding opportunistic decisions. (Aulia & Siregar, 2018:4), It also shows the quality of the financial reports and the organization's manager's performance. (Al'Alam et al., 2019:40), And providing it with high-quality information that allows them to make better investment decisions because they have a better ability to discover profitable projects, which contribute to raising the

investment efficiency of the company and achieving its goals (Assad&Alshurideh, 2020, p. 199)

### **3. Methodology**

#### **3.1 Research Importance**

The practical importance of the research is to draw the attention of Iraqi industrial companies to the vital role of internal auditing in evaluating sustainable performance through the use of the balanced scorecard and its impact on the quality of financial reports.

#### **3.2 Problem of the Research**

The research problem lies in the following questions:

1. Will the financial performance evaluation by the internal audit bodies using the balanced scorecard affect the quality of the financial reports?
2. Will the environmental and social performance evaluation by the internal audit bodies using the balanced scorecard affect the quality of the financial reports?
3. Will the evaluation of economic performance by the internal audit bodies using the parallel scorecard affect the quality of the financial reports?

#### **3.3 Objective**

The research seeks to achieve the following objectives:

1. We discussed the literature on the role of internal audits in evaluating sustainable performance and its impact on the quality of financial reports.
2. Statement of the role of internal audit in evaluating sustainable performance and its impact on the quality of financial reports using the balanced scorecard.
3. Draw the attention of internal auditors in industrial companies to the importance of evaluating sustainable performance and its impact on the quality of financial reports.

#### **3.4 Hypotheses**

Through the questions that were addressed in the research problems, the current research is based on a set of hypotheses, namely:

1. Evaluating the financial performance by the internal audit using the balanced scorecard contributes to improving the quality of financial reports.
2. The internal audit's evaluation of environmental and social performance using the balanced scorecard improves the quality of financial reports.
3. The evaluation of economic performance by the internal audit using the balanced scorecard contributes to improving the quality of financial reports.

### **4. Practical Application of Balanced Scorecard Technology**

#### **4.1 About the community and research sample**

The General Company for the Iraqi Automotive and Equipment Industry was established at the beginning of 2016 after merging three companies:

- General Company for the Automotive Industry
- General Company for Mechanical Industries
- General Company for the manufacture of batteries

It is one of the companies affiliated with the Ministry of Industry and Minerals, which is currently specialized in the engineering industries with most of its industrial and agricultural activities and the production of batteries. The company produces with its manufacturing capabilities all products that serve the sectors of transportation, agriculture, irrigation, services and security with high quality and solid quality assurance. Some of the company's factories

were awarded the ISO 9001 certificate in December 2010 and ISO 9001 certification in July 2013.

#### **4.2 Determining the performance level of the research sample company**

After completing the process of evaluating the strategic performance of the company by applying the balanced scorecard technology, it is necessary to determine the best performance level of the company between the study periods, as well as the perspective in which the factory achieved better performance, as well as the perspective from which the factory came with low performance, and to achieve this goal; importance has been given For the level of performance in the form in which (10) degrees are given for the level at which the factory has achieved and for each measure the lowest performance and (50) degrees for the highest performance level. The levels of importance for the performance results have been graded between these two numbers, and Table (1) shows the distribution of degrees for each of the measures listed within Balanced tag card technology

**Table1:** Company Financial Perspective Scale (2017-2020)

Measures	Performance level					Grades				Ratio			
	10	20	30	40	50	2017	2018	2019	2020	2017	2018	2019	2020
Total Assets Turnover	0.008	0.016	0.024	0.035	0.039	50	20	10	10	12.5	6.89	3.5	4
Quick Acid Ratio	0.87	1.74	2.61	3.48	4.35	50	50	40	40	12.5	17,24	14.28	16
Current Ratio	%18	%36	%54	%72	%90	50	50	50	50	12.5	17,24	17.85	20
Cash Ratio	0.018	0.036	0.054	0.072	0.09	50	50	40	30	12.5	17,24	14.28	12
rate of return on assets	-1.604	-3.208	-4.812	-6.416	-8.02	50	20	40	30	12.5	6.89	14.28	12
Accounts Payable Turnover	0.016	0.032	0.048	0.064	0.08	50	20	10	10	12.5	6.89	3.5	4
Profit Margin Ratio	11.112-	-22.224	-33.336	-44.448	-55.56	50	30	50	30	12.5	10.34	14.28	20
The ratio of total revenue / total costs	15.11	30.22	45.33	60.44	75.55	50	50	40	50	12.5	17,24	17.85	12
Total						<b>400</b>	<b>290</b>	<b>280</b>	<b>250</b>	<b>100%</b>	<b>100%</b>	<b>92.89%</b>	<b>92.08%</b>

**Table 2:** Customer Perspective Scale for the company for the period (2017-2020)

Measures	Performance level					Grades				Ratio			
	10	20	30	40	50	2017	2018	2019	2020	2017	2018	2019	2020
Annual sales growth rate	-0.1516	-0.3032	-0.4548	-0.6064	-0.758	40	50	50	10	19	26	17.85	4.34
Customer retention rate	-0.0924	-0.1848	-0.2772	-0.3696	-0.462	50	50	50	50	23	26	17.85	21.74
build quality	0.0048	0.0096	0.0144	0.0192	0.024	10	10	50	30	4.76	5.26	17.85	13.04
Quality after-sales service	0.6284	1.2568	1.8852	2.5136	3.142	50	20	30	50	23	10.52	10.71	21.74
Percentage of customers' contribution / income	-1188261	-2376522	-3564783	-4753044	-5941305	30	20	50	50	14	10.52	17.85	21.74
Marketing cost growth	-0.110	-0.220	-0.330	-0.440	0.550	30	40	50	40	14	21.05	17.85	17.39
<b>Total</b>						<b>210</b>	<b>190</b>	<b>280</b>	<b>230</b>	<b>97.76%</b>	<b>99.35%</b>	<b>99.96%</b>	<b>99.99%</b>

**Table 3:** A measure of the company's internal operations perspective for the period (2017-2020)

Measures	Performance level					Grades				Ratio			
	10	20	30	40	50	2017	2018	2019	2020	2017	2018	2019	2020
Production capacity utilization rate	5.75	11.5	17.25	23	28.75	20	50	20	10	9.09	23.80	13.33	5.55
daily production rate	161.5	323	484.5	646	807.5	50	50	20	10	22.72	23.80	13.33	5.55
Maintenance service rate	434.08	868.16	1302.2	1736.3	2170.4	40	30	50	50	18.18	14.28	33.33	27.77
Inventory turnover	0.108	0.216	0.324	0.432	0.54	50	40	30	40	22.72	9.04	20	22.22
Production process inspection costs	0.042-	0.084-	0.126-	0.168	0.21	50	40	20	20	22.72	19.04	13.33	11.11
Material Productivity	4.608	9.216	13.824	18.432	23.04	10	10	10	50	4.54	4.76	6.66	27.77
Total						<b>220</b>	<b>210</b>	<b>150</b>	<b>180</b>	<b>99.97%</b>	<b>94.72%</b>	<b>99.98%</b>	<b>99.97%</b>

**Table 4:** Learning and Growth Perspective Scale for the Company for the Period (2017-2020)

Measures	Performance level					Grades				Ratio			
	10	20	30	40	50	2017	2018	2019	2020	2017	2018	2019	2020
Employee turnover rate	0.012	0.024	0.036	0.048	0.06	50	30	50	30	21.17	15	29.41	17.64
Growth in training expenses	-0.84	1.68	2.52	3.36	4.2	20	50	10	10	8.69	25	5.88	5.88
Growth in research and development expenses	0.042	0.084	0.126	0.168	0.21	50	30	50	50	21.17	15	29.41	29.41
Employee growth rate	-0.012	-0.024	-0.036	-0.048	-0.06	50	30	30	50	21.17	15	17.64	29.41
Growth of the amounts spent on rewarding and motivating employees	-0.564	-1.128	-1.692	2.256	2.82	50	10	20	20	21.17	5	11.76	11.76
Growth of travel and delegation expenses	-0.09	0.18	0.27	0.36	0.45	10	50	10	10	4.34	25	5.88	5.88
<b>Total</b>						<b>230</b>	<b>200</b>	<b>170</b>	<b>170</b>	<b>99.39</b>	<b>100</b>	<b>99.98</b>	<b>99.98</b>

**Table 5:** The Company's Environmental and Social Perspective Scale (2017-2020)

Measures	Performance level					Grades				Ratio			
	10	20	30	40	50	2017	2018	2019	2020	2017	2018	2019	2020
Contribution to Social Security	0.014	0.028	0.042	0.056	0.07	40	50	50	50	20	31.25	38.46	33.33
Contribute to the provision of transportation	73512.5	147025	220537.5	294050	367562.58	50	50	40	10	25	31.25	30.76	6.66
After-sales service expense growth	-0.612	1.224	1.836	2.448	3.06	50	10	10	10	25	6.25	7.69	6.66
Rate of spending on water and electricity	-0.008	-0.16	-0.024	-0.032	0.004	10	20	20	50	5	12.5	15.38	33.33
Growth of maintenance expenses for transportation and transmission vehicles	-0.256	-0.512	-0.768	1.024	1.28	50	30	10	30	25	18.75	7.69	6.66
Increase in spending on environmental protection	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>						<b>200</b>	<b>160</b>	<b>130</b>	<b>150</b>	100	100	99.98	86.64

**Table 6:** Risk Perspective Scale for the Company for the Period (2017-2020)

Measures	Performance level					Grades				Ratio			
	10	20	30	40	50	2017	2018	2019	2020	2017	2018	2019	2020
The ratio of actual revenue to planned revenue	0.104	0.208	0.312	0.416	0.52	40	50	40	30	21.05	38.46	44.44	42.85
receivable turnover	0.016	0.032	0.048	0.064	0.08	50	40	30	20	26.31	30.76	33.33	28.57
Fixed asset turnover	0.066	0.132	0.198	0.264	0.33	50	20	10	10	26.31	15.38	11.11	14.28
Turnover of total assets	0.008	0.016	0.024	0.032	0.04	50	20	10	10	26.31	15.38	11.11	14.28
Total						<b>190</b>	<b>130</b>	<b>90</b>	<b>70</b>				
Total Endoscopy Points(1800)						<b>1450</b>	<b>1180</b>	<b>1100</b>	<b>1050</b>	<b>99.98</b>	<b>99.98</b>	<b>99.99</b>	<b>99.98</b>
The final score										<b>%81</b>	<b>%66</b>	<b>%61</b>	<b>%58</b>

It is evident from the above tables (1,2,3,4,5,6) that:

1- The overall performance of the factory in the year (2017) was the best, as the percentage of the factory's performance on the level of all perspectives was (81%) compared to the years (2018-2019-2020), which was the result of the performance (66% - 61% - 58%). The research sample saw an improvement in strategic performance due to resuming production activity after a long pause, which caused a significant decline in strategic implementation.

2- An improvement in the company's performance in 2017 and 2018 concerning the financial perspective, as the company's performance rate for that perspective reached (100%) compared to the years (2019-2020) in which the company achieved a result of its performance ratios (73% -70% -63 %) for the perspective as mentioned above.

3- The customer's perspective shows a decline in the company's performance in this aspect, as the year (2017) achieved a score of (97.76%) compared to the years (2018-2019-2020), in which the performance ratio was 99.35, 99.96, 99.99, and this coincided with the return of the company for production.

4- The factory achieved in the year (2018) from the perspective of internal operations, low performance of (94.72%), a difference from the years 2017, 2019 and 2020 as a result of the increase in allocations.

5- The company has settled on an equal growth rate for the calendar years in terms of learning and growth.

6- As for the risk perspective, it witnessed an increase in the company's performance in the year (2017) as its result was (81%) compared to the years (2018 - 2019 -2020), in which the company's performance rate for this perspective was (66%, 61%, 58%). Straight.

## **5. Conclusion**

By presenting the theoretical and practical side, the research reached a set of conclusions that, in our view, were worth stopping at, as follows:

Internal audit enhances the reports prepared by the General Company for the Automotive and Equipment Manufacturing and its factories, but not to the required level. The internal audit of the General Company for the Automotive and Equipment Manufacturing focuses on the economic aspect in a beautiful way and on the traditional financial reports whose data is quantitative and includes cash only. It was noted that there is a weakness in the internal audit regarding the audit of works and statements prepared by the authorities responsible for the environmental and social aspects. The company also does not have internal auditors specialized in the environmental and social part. It was also noted that the internal auditors were not involved in mandatory courses specialized in the environmental or social aspect but only coursed Mostly the accounting and administrative aspects.

The company faces difficulty disclosing sustainable performance data in the traditional financial statements because they cannot contain descriptive data, which the company has to address. Reached by internal auditors, related to the environmental and social aspects, improves the credibility of the information in the financial statements and thus improves the company's reputation.

The company uses old methods to measure and evaluate the performance of its activities and operations, which do not lead to giving sufficient information about the company's environmental and social performance. It has also been noted that some aspects cannot be controlled entirely by the company due to the nature of its work, such as the wastes of the production process and the gases emitted from Some production departments, as well as the company's lack of laboratories in terms of quality control that examine and analyze products to

ensure their safety and conformity to the required specifications. However, the company's management focuses on safety by setting up fire extinguishing systems and providing company fire engines and defence civilians with special tools.

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