

# Analysis of the Contribution of Internal Auditing in Organizations

Áureo Nhaca

Faculty of Economics and Social Sciences, Technical University of Mozambique, Maputo City, Mozambique

**Email address:**

[anhaca@me.com](mailto:anhaca@me.com)

**To cite this article:**

Áureo Nhaca. (2023). Analysis of the Contribution of Internal Auditing in Organizations. *Frontiers*, 3(4), 46-52.

<https://doi.org/10.11648/j.frontiers.20230304.11>

**Received:** June 30, 2023; **Accepted:** October 7, 2023; **Published:** December 28, 2023

---

**Abstract:** The business society, widely structured in a market economic perspective, demands that the audit function be increasingly mediating in the analysis of certain situations, such as the viability of the company, the reporting of frauds and illegal acts, the evaluation of the economy, efficiency, and effectiveness of organizations. The goal of this work is to evaluate how Internal Audit helps firms respond quickly and effectively to External Audit, particularly to the activity of the tax authorities. The research methodology employed in this study integrates three distinct types of investigation: exploratory, descriptive, and explanatory. This comprehensive approach involves a three-phase process, which includes an extensive literature review, data collection from the field through semi-structured interviews, and the subsequent analysis and synthesis of this information into a comprehensive report. It was concluded that the main objective of an audit work is to express an independent opinion about the reliability of the financial statements of a company, in view of the Fundamental Principles of Accounting, defined by legislation and accounting doctrine. The study's findings underscore the critical importance of ethics and social responsibility within the realm of auditing. As the prevailing societal ethos evolves, auditors must adapt to meet the growing demands for transparency, accountability, and ethical conduct. Navigating this dynamic landscape requires auditors to exercise a heightened level of diligence and ethical awareness, reinforcing their pivotal role as guardians of financial integrity and public trust. The absence of ethics that society goes through, as well as the auditor's social responsibility, are relevant points that demand special attention from these professionals.

**Keywords:** Internal Auditing, Efficiency and Effectiveness, Tax

---

## 1. Introduction

This research work falls within the scope of continuing research, the choice of theme is since the Internal Audit (IA) is little valued by the Institutions, it deserves special attention because many companies have not yet managed to detect its advantages, likewise, this is a subject that aroused much interest to the researcher in his academic career as well as professional.

According to The Institute of Internal Auditors [15], smaller organizations may also face similarly complicated settings with a less formal and robust organizational structure, making the internal audit profession equally crucial to them in ensuring the success of their governance and risk management systems.

This essay tries to demonstrate the value of Internal Audit (IA) in helping firms successfully respond to External Audit

(EA) and the importance of IA as a vital instrument for sound decision-making.

The current work specifically aims to identify which small, medium, and large companies that have organized accounting have internal audit and external audit concurrently, as well as to analyze the effectiveness of the procedures created by internal auditors and their contribution to the performance of the external audit work.

The business sector in Mozambique has evolved significantly in recent times and the art of doing good business has changed in the face of the challenges of the market environment, technological innovation, among others.

It should be noted at the outset that the Audit is classified into two forms: External Audit and Internal Audit.

As a main result it was possible to verify that the internal audit enables risk management and brings effectiveness to the corporate governance of the company through the internal

control tests.

Inserting this research in the Internal Audit theme, it is intended to address the IA contribution so that organizations may successfully respond to the External Audit (EA), and its usefulness as a crucial tool for the proper decision making, assisting - a, to achieve the expected results, focusing on the improvement of controls and processes, thus minimizing risks and providing the internal customer with security in relation to the controls that were analyzed.

The Internal Audit plays an important role in the strictest controls, and the continuous monitoring of the processes of a company are constant, mainly due to globalization, but few companies in Mozambique have an internal audit department, most prefer to hire an external entity to perform the necessary periodic audit to be in compliance with the tax authorities.

However, [13] mentions that administrative control became more complex with the growth of companies, both in size and in the diversification of activities. Considering this, the need to have IA departments with qualified professionals who can assist managers in the supervision of activities aimed at safeguarding their assets has increased, which is not denoted in numerous Mozambican companies, which most does not have an Internal Audit department.

According to studies carried out by the consulting firm RSM in 2019, many Mozambican companies distance themselves from the practice of internal auditing, reasons for which make it impossible to achieve the main objectives, leading them to bankruptcy. They only discover the real situation of their assets when an external audit is carried out, that is, after they have already been in loss or even in bankruptcy, as well as they have suffered many penalties by the tax authorities for not respecting the legislation in force, consequently they miscalculate the taxes due to the state. [29].

The internal audit focuses on the company's internal controls, aiming at the constant improvement of processes. It seeks to point out errors and failures, in these processes, and indicates corrections to senior management through reports of recommendations so that such processes can be remedied, contributing to the achievement of the main objectives, thus avoiding the insolvency and early bankruptcy of companies [14].

Internal Auditing has as main objectives to follow up the company's business, in a constant way, with a team of auditors exclusively focused on the work of this organization, helping it to achieve the expected results, focusing on the improvement of controls and processes, giving it alternatives, and collaborating in the work of control, advisory and administration.

The overall objective is to analyze the contribution of internal audit in organizations to respond efficiently and effectively to the work of external audit essentially to the tax authorities and has as specific identify the processes of internal and external audit of companies; describe the processes of each audit on the part of their efficiency and effectiveness; and demonstrate the contribution of internal audit processes for external audit in the tax authorities.

So that IA has been proving important by assisting the company to achieve the expected results, and focusing on the improvement of controls and processes, to minimize risks that may be serious especially for the control agents of the tax authorities, it is denoted that this application and analysis has the importance in the following areas: academic, social, and personal.

For the scientific context, we can state that IA is the key to the success or failure of the strategies of an organization, contributing to the achievement of the main objectives. And it is in this context that internal audit is constituted as a management support function, and its dissemination via science and academia becomes important, especially for young people who wish to embark on the life of entrepreneurship, being able to clearly know beforehand one of the most powerful tools for the control and management of companies.

As for the social level, the same that encompasses with the corporate one will bring benefits this research for the fact of clarifying, helping to meet the needs of raising the levels of effectiveness and efficiency of the company, from the personnel (human resources) to the income and costs (economic resources), therefore, in successful organizations, the internal audit is seen as an irreplaceable tool for decision making because it is possible to extract information about the economic position, assets and financial position of companies, having as main objective to monitor the company's business, constantly, assisting - companies to achieve the expected results, focusing on the improvement of controls and processes, thus minimizing the risks and providing the internal customer with security in relation to the controls that were analyzed.

On a personal level with this research is intended to clarify the need for companies to have a sector responsible for IA, which is now a factor of competitive differentiation of companies, because this is the means capable of unifying various sectors in a single, bringing together collective efforts to achieve better results, in the same way that for the researcher, will be an addition to the knowledge that embraces from former professional experience.

Quantitative methodology will be used, this verifies and quantifies the hypotheses, delineation of a problem, analysis of a fact, evaluation of program and isolation of main variables. This is quantitative research, which uses data collection techniques, which can be: interviews, questionnaires, forms.

A which will be effective, since the present research intends to verify and validate the hypotheses raised to answer the research question, and therefore clarify the specific objective achieved.

Likewise, the qualitative, which has as its main purpose to deepen the researcher's knowledge about the subject studied through focus groups, interviews, documentary research among others. It can be used to facilitate the development of a questionnaire or to serve as a basis for future research, helping to formulate hypotheses.

It will be used to clarify the concepts surrounding the

research theme, helping in the final delineation of the research and study similar research, checking their methods and results. As a method of data collection, using questionnaires, interviews, direct observation, among others to be applied in this.

Therefore, to achieve the general and specific objectives, this study will be developed through research of applied nature, with a quantitative approach - descriptive and exploratory or qualitative, as to the procedures used, the research will be based on the literature review and case study.

Used when it does not have or does not employ statistics to analyze the data. Qualitative research is used when numbers and statistics cannot represent, for example: behaviors, opinions, attitude of individuals and groups, etc.

Where the method of this research will be the inductive, according to Marconi and Lakatos [20] it is a mental process that starting from particular data, a general truth is inferred.

## 2. Audit

### 2.1. Concept of Auditing

According to Attie [2], internal auditing is an accounting specialty that tests the efficiency and effectiveness of asset control done with the goal of providing an opinion on specific data.

According to Martins and Morais [23], auditing is a systematic process of objectively obtaining and evaluating evidence about the correspondence between information, situations or procedures and pre-established criteria, as well as communicating conclusions to stakeholders.

In Attie's point of view, IA would only be focused on heritage, which is refuted by Martins and Morais, who analyze all the information to make comments and conclusions to those entitled to it.

With these views of the authors, we can clearly reach a conclusion that there is unanimity between both, since it aims to verify the information that the company has, whether in the form of documents or just processes themselves, so that these can convey an opinion and thus be able to make decisions.

### 2.2. Type of Audits

According to Pinheiro [28], the types of audits, regarding the relationship of the auditor professional with the company, can be divided into two groups: External Audit and Internal Audit.

#### 2.2.1. External Audit

According to Crepaldi [5], it constitutes the set of technical procedures that has the objective of issuing the opinion on the adequacy with which they represent the equity and financial position, the result of operations, the changes in Net Worth and the origins and applications of resources of the audited entity according to the accounting standards.

According to Franco and Marra [9], consists of the examination of documents, books, records, inspections,

obtaining information and internal and external confirmations, complying with the appropriate standards verifying whether the statements represent the situation shown therein in accordance with the accounting standards and principles.

According to the concepts described above we can state that the external audit is an independent, objective, and competent examination of a set of financial statements of an entity, being conducted with the aim of expressing an opinion on whether the Financial Statements (FS's) present a true and fair view of the financial position of the company, and of all other relevant information to the management of the company.

According to Araújo et al. [1] the main objectives of the external audit are:

- 1) Examination of the Financial Statements (FS'S).
- 2) Verify whether or not they were prepared by a qualified professional and in accordance with generally accepted accounting principles and standards.
- 3) Express an opinion on whether the information contained in the FS's is reasonable.
- 4) Propose solutions and improvements to improve the controls and systems of the contracting company.
- 5) Issuing an opinion on the processes audited.

#### 2.2.2. Internal Audit

Internal auditing is an activity that has been in constant evolution, so that there are several ways of conceptualizing it and by different authors:

Internal auditing is an independent assurance and consulting activity designed to add value and improve an organization's operations. It helps the organization to achieve its objectives, through a systematic and disciplined approach, in evaluating and improving the effectiveness of risk management, control and governance processes [15].

According to Martins and Morais [24], internal auditing is an evaluation activity that, in an independent manner within a company, has as its object the review of accounting, financial and all kinds of operations, in order to provide a service to management. It is an administrative control, whose function is to measure and evaluate the effectiveness of other controls.

According to Attie [2], internal auditing is an independent evaluation function, created within the company to examine and evaluate its activities, as a service to that same organization.

We can state that the internal audit focuses on the company's internal controls, aiming at the constant improvement of processes. For the authors clearly describe that it seeks to point out errors and failures in these processes and indicates corrections to senior management through reports of recommendations so that such processes can be remedied.

The main objective of internal auditing is to assist administrators by observing the functioning of internal controls, contributing to their improvement or even replacement if necessary. Internal auditing only provides benefits to the organization as it controls its assets to minimize possible irregularities, incapacities, or negligence if any.

For Crepaldi [6], the objectives of internal auditing are:

- 1) Check that the internal rules are being followed.
- 2) Assess the need for new internal rules or notifications of existing ones.

According to Attie [2], the objectives of internal auditing can be summarized as:

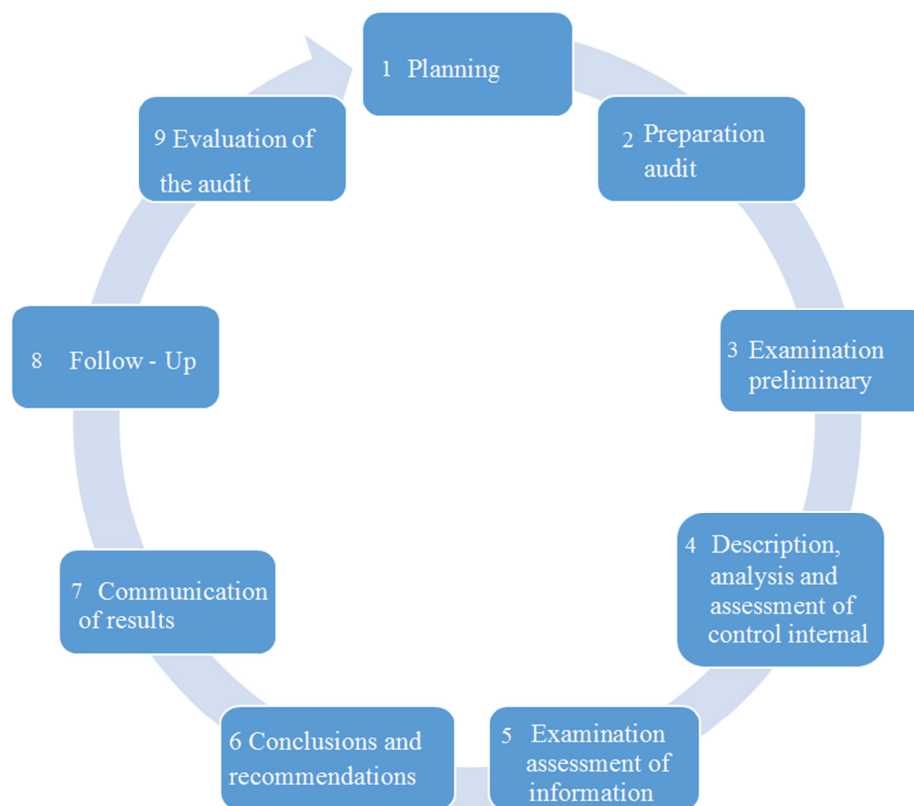
- 1) Examine the integrity and reliability of financial and operational information and the means used to measure, track, classify and communicate that information.
- 2) Examine the systems established, to certify compliance with policies, plans, laws, and regulations that have, or may have, an impact on operations and reporting, and determine whether the organization is in compliance with the guidelines.
- 3) examine the means used for the protection of assets and, if necessary, evidence of their actual existence.
- 4) Verify that resources are deployed efficiently and

economically.

- 5) Examine operations and programs and verify that the results are consistent with the plans and that those operations and programs are carried out as planned.
- 6) Communicate the results of the audit work and certify that the necessary actions have been taken regarding its findings.

The purpose of an internal audit is to benefit the company with better control of its assets, seeking to reduce inefficiency, negligence, incapacity etc.

It can be clearly seen that, according to the different functions that each author attributes to internal auditing, its goal is always to add value to the organization and to help improve the organization's operation. In other words, the primary concern of internal auditing is to help the organization where it is located as much as possible.



**Figure 1.** Phases of the internal audit process.

### 3. Audit Analysis

#### 3.1. Analysis of Accounting and Financial Auditing

We next analyze the answers by means of the questionnaire raised to analyze the situation of the company's internal audit, by the sample.

According to Marçal and Marques [19], the internal audit assumes particular importance because it helps in the design, implementation and monitoring of the internal control system,

which may also assist the process of internal improvements, since the performance evaluation, market evaluation and assist the external audit as to the tax authorities, and this question helps us to answer the third specific objective and validate the third hypothesis.

Internal audit is known as an activity of great importance mainly within large companies because only the director is not able to take care of the functioning of the company, and so the need arises to delegate these functions to other people, internal auditors, who constitute a position of great relevance.

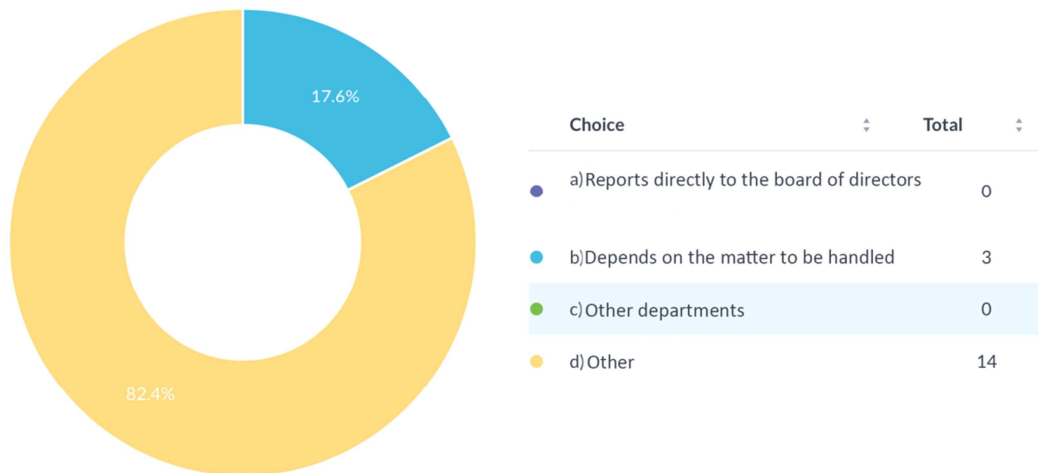


**Figure 2.** What is the degree of importance that you attribute to IA for the good functioning of the company.

As with figure 3, all were unanimous in choosing c), given that Saberín, Lda does not have the IAD.

It should be noted, however, that establishing oneself at the top level will have a direct impact on the quality of work completed and the outcomes that this offers for the

organization. Another reason for this binding line is that because the auditor is connected to a director, it may influence the credibility of his work insofar as the other directors may perceive him as a part of that directorate, in this situation if Saberín, Lda adopts and implements the IAD.



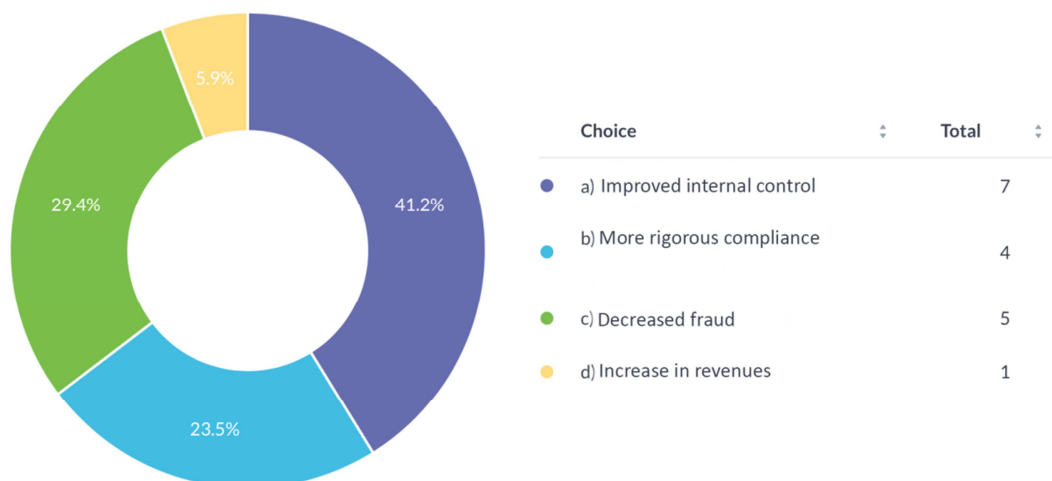
**Figure 3.** At what level is the internal audit department positioned.

### 3.2. Benefit of the Audit

For Saberín, Lda it does not apply, but because the respondents have some notion of the advantages and objectives of IAD, we have about 41.2% indicating that the improvement of internal control is the most crucial in IAD, against the 29.4% that are in second place as being for the decrease of fraud practices, which denotes much in companies of any country that it is, still in the greatest rigorousness as to compliance with standards, standards that are indicated important for any

organization, since it is only governed by standards, from administrative to those of internal control, with about 23.5%, the remaining 5.9% being for the increase in revenues.

Having said this, it is believed that with the reduction of costs as seen in figure 4, it is fair to say that as a consequence of this revenue may increase, because in the advent of the preparation of the income statements only the costs are going to supply the sales/income of the company, but for the respondents do not consider the same as being imperative and more feasible to say.



**Figure 4.** What is the benefit of internal audit.

### 3.3. Benefit of the Audit

For Saberlin, Lda it does not apply, but because the respondents have some notion of the advantages and objectives of IAD, we have about 41.2% indicating that the improvement of internal control is the most crucial in IAD, against the 29.4% that are in second place as being for the decrease of fraud practices, which denotes much in companies of any country that it is, still in the greatest rigorousness as to compliance with standards, standards that are indicated important for any organization, since it.

## 4. Conclusion

After all the research carried out in this study, as well as the case study carried out at Saberlin, Lda, it was possible to confirm the hypothesis presented, that Internal Auditing responds efficiently and effectively to external audits, essentially to the tax authorities, because it avoids penalties, helps eliminate waste and transmits information to administrators on the status and development of activities performed:

- 1) In today's world, where the globalization of the economy is present, empirical, rudimentary, or simply technical procedures are not enough for organizational survival. What is required today is the adoption of permanent monitoring of a modern and agile internal audit focused on all aspects of management.
- 2) The specific objectives of this research were attained and answered, even if this activity must be constantly changing, following the evolution of the organization, and focusing management's interest. With this evaluation, the company must learn and act to reinforce the virtuous cycles of success and annul any vicious circles into which it may have fallen. In this manner, internal auditing will contribute to the decision-making process since having a comprehensive knowledge of the audited entity it can propose improvements, thus helping administrators attain the efficiency and effectiveness objectives of the routines and operations involved.
- 3) To face these challenges and make the best decision, companies must maintain a control system that involves a planning process to guarantee management the integrity of the organization. The key to solving these problems may lie in the creation of internal audits.
- 4) It is also important to conclude that the company under analysis, does not have the IA department, and that it badly needs to adopt the internal audit department, because it will be focused on the internal controls of the company and will play a monitoring role with respect to decision making and avoiding unnecessary expenses and the consequent bankruptcy, thus contributing to the achievement of the main objectives of the organization.

## References

- [1] Araújo, I. da P. S., Arruda, D. G., & Barretto, P. H. T. (2008). Auditoria contábil: enfoque teórico, normativo e pratico. Saraiva.
- [2] Attie, W. (1992). Internal Auditing. Atlas S. A.
- [3] BARATA, A. S. (1999). Contabilidade, auditoria e ética nos negócios (2nd ed.). Editorial Notícias.
- [4] COSTA, C. B. (2010). Auditoria Financeira: Teoria e Prática (Rei dos Livros (ed.); 9th ed.).
- [5] Crepaldi, S. A. (2004). Auditoria contábil: teoria e prática (3rd ed.). Atlas S. A.
- [6] CREPALDI, S. A. (2000). Auditoria Contábil: Teoria e Prática (2nd ed.). Atlas S. A.
- [7] Dias, D. D. S., & Silva, M. F. (2009). Como Escrever Uma Monografia. In Relatórios Coppead.
- [8] DuBrin, A. J. (2007). Leadership attitudes, behaviors, and styles. In Leadership: Research findings, practice, and skills (pp. 99-136). <https://doi.org/10.1119/1.2342454>
- [9] Franco, H., & Marra, E. (2001). Origem e Evolução da Auditoria. In Auditoria Contábil. <https://doi.org/10.1177/0192512113480054>
- [10] Gil, Antônio Carlos. (2002). Como Elaborar Projetos de Pesquisa. Atlas.
- [11] Gil, Antônio Carlos. (2010). Como Elaborar Projetos de Pesquisa. Atlas.
- [12] Gil, Antônio Carlos (1987). Como elaborar projetos de pesquisa. Atlas.
- [13] Hames, G. (2004). THE IMPORTANCE OF INTERNAL AUDIT IN THE DECISION MAKING PROCESS OF ORGANIZATIONS: A LITERATURE REVIEW. UNIVERSIDADE FEDERAL DE SANTA CATARINA - UFSC.
- [14] HOOG, W. A. Z., & CARLIN, E. L. B. (2009). Manual de Auditoria Contábil - Teoria e Prática (6th ed.). JURUA EDITORA.
- [15] IIA. (2009). The role of internal auditing in enterprise-wide risk management. Institute of Internal Auditors (IIA). <https://doi.org/10.1016/j.jenvman.2006.04.017>
- [16] Junior, D. G., Jenkins, L. E. C., Zanin, D. F., & Almeida, L. B. de. (2015). O papel da auditoria interna na melhoria da qualidade dos gastos públicos: um estudo exploratório nas IFES do Estado do Paraná. Congresso Brasileiro de Custos, 22 (1), 11-13.
- [17] Lello, E. e Lello, J. (1993). O papel da Auditoria Interna nas Organizacoes. Livraria Lelo.
- [18] Lizote, S. A., Verdinelli, M. A., & Perez, A. O. (2015). Importance and Benefits of Internal Auditing: an Analysis of the Perception of Brazilian and Venezuelan Auditees. Accounting Congress, 46 (17).

- [19] Marçal, N., & Marques, F. L. (2011). Manual de Auditoria e Controlo Interno no Sector Público. Edições Sílabo.
- [20] Marconi, M. A., & Lakatos, E. M. (2006). Fundamentos de metodologia científica (6th ed.). Atlas S. A.
- [21] Marconi, M., & Lakatos, E. (2003). Fundamentos de metodologia científica. In Editora Atlas S. A.
- [22] MARQUES, M. (1997). Auditoria e Gestão (1st ed.). Editora Presença.
- [23] Martins, I., & Moraes, G. (2007a). A Auditoria Interna - Função e Processo. Article.
- [24] Martins, I., & Moraes, G. (2007b). Auditoria Interna - Função e Processo (4th ed.). Áreas Editora.
- [25] Miranda, A. R. M. (2013). O papel da auditoria interna e as suas implicações nas empresas públicas-case study: TACV. Portal Do Conhecimento, 1 (1).
- [26] MORAIS, Georgina e MARTINS, I. (2003). Internal Auditing: Function and Process (2nd ed.). Áreas Editora.
- [27] Neto, P. L. C. (1977). Formas de amostragem. In Statistics (1st ed.). Atlas S. A.
- [28] PINHEIRO, J. L. (2010). Auditoria Interna- Auditoria Operacional: Manual Prático para Auditores Internos (2a ed). Rei dos livros.
- [29] RSM. (2019). Internal Audit.