

# LEAN INTERNAL AUDIT IN GALILITRATUREREVIEW

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## **Abstract:**

This study aims to focus on the importance of adopting and applying the concept of lean auditing and thinking to the activity of the internal audit service by working in the most efficient and effective ways and means that contribute to providing a high-quality audit service and achieving customer satisfaction, which is in line with the international standard No. (2000) through Focus on the organization's operations and increases its value. Our studies were based on a review of the literature from academic and professional books and contracts that dealt with the study of lean thinking and auditing for the period (2003-2020) and the analysis of those studies and the results they reached. For internal audit operations, identifying the risks that can be controlled, and issuing a short internal audit report by reducing time and costs, working efficiently, effectively, and productively, and achieving the quality of the internal audit service, which would raise the value of private and governmental economic units.

**Key Words:** Lean Thinking, Lean Auditing, Lean Reduction, Efficiency and Effectiveness, Quality.



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### 1.0. Introduction:

The pressures on the internal audit profession have increased in light of the rapid economic developments, globalization, the rapid progress of technology and financial communication systems in the activity of private and governmental economic units, and the importance of adopting and applying governance in those units to ensure the processes of control, transparency, participation in decision-making and achieving quality (Mohaisen et al., 2020). Internal audit activity plays an important role in governance procedures and for the purpose of keeping pace with all these developments, the calls and thinking increased to find ways and means that would achieve the effectiveness and quality of the internal audit service through the use of lean thinking tools and tools in the internal audit activity to achieve service quality and add value to the activity of private and governmental units.

The purpose of this study is to review the literature that dealt with the subject of adopting lean thinking procedures and tools on the internal audit service in terms of need, necessity and importance by reviewing (10) articles and books and drawing conclusions and the most important of them adopting lean thinking and auditing in private or governmental economic units will remove Waste in the procedures and processes of review and internal auditing and enhances the confidence and satisfaction of customers and the rest of the parties interested in the work of these economic units, especially since the reports of the internal auditor will be free of deviations as a result of the application of lean audit, which will achieve the effectiveness and quality of internal audit as a result of the positive relationship between the philosophy of thinking, lean auditing, effectiveness and audit quality The internal procedure according to what was concluded by the articles and books that were reviewed.

### 2.0. METHOD:

This paper aims to explore the latest and good practices in the field of auditing, and the added value and productivity, by giving a brief overview of flexible auditing, techniques, and waste-free methods of work in internal auditing. Manaam (2003-2020) and the sources of lean thinking and lean audit.

### 3.0. Theoretical Framework:

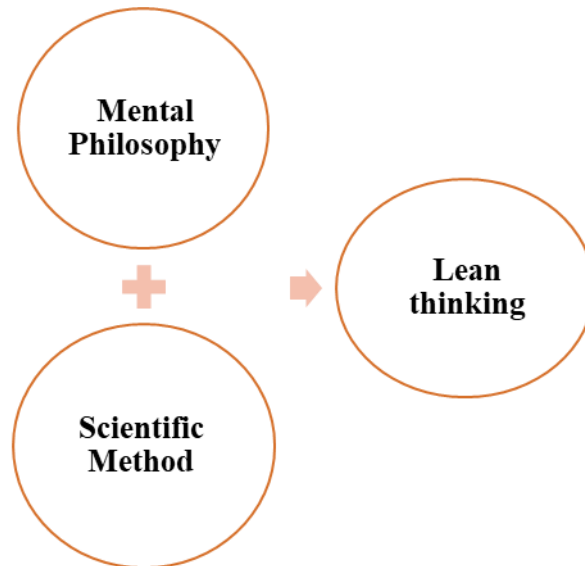
#### 3.1. Lean Thinking Concept:

According to a study (Jones & Mitchell, 2006), Lean thinking is an approach that allows senior management in projects and companies to reduce unnecessary procedures and activities. Despite the application of this approach in the industrial sector, it is possible to apply this approach in the services sector, including accounting and

auditing services, through the exploitation of available resources in important activities, participation in work, and decision-making processes.

And also, in studying (Wang & Huzzard, 2012) the possibility of using the tools, methods, and methods of lean thinking in various businesses and activities (industrial, banking, construction, service ... etc.) by removing unnecessary business and activities, focusing on important issues, working to reduce costs and involving everyone to achieve the goals of companies and organizations The ones that will raise their value. Figure No. (1) shows the overlap and integration between the flexible thinking procedures and the rest of the practical and scientific procedures from reducing or eliminating unnecessary activities and works.

Figure No (1)



Source: (Al-Janabi, 2018

### 3.1.1. Basic Criteria for Lean Thinking (Chartered Institute of Internal Auditors,2020):

Several criteria must be taken into account in adopting lean thinking mechanisms, as follows

-Customers must realize the importance of raising the value of the company.

Knowing the paths to be taken and followed to promote and improve companies.-

Determining the events and activities required for those tracks to reach the desired value.-

-Working with optimal and effective tools without wasting or wasting.

### 3.2.The Concept of Internal Audit:

The Internal Audit and Control Authority plays a prominent role in all government and private economic units and all work sectors,

especially in light of corporate governance procedures by providing senior management with data and information through financial and non-financial reports of high quality, credibility, and timeliness in light of the rapid economic developments The evolution of the concept of control and internal audit to keep pace with these rapid (Mohaisen et al., 2020).

Under what was stated in the definition of (Campbell, 2010) the internal audit and control body is an organized body within the structure of companies and organizations that operates impartially and independently and is linked to the senior management and provides them with the necessary data, information and analyzes about the company's activities and works for examination, evaluation, planning, and decision-making.

### 3.2.1. The role and procedures of internal control and audit:

Control and internal audit procedures play an important and prominent role in economic units and institutions. These procedures vary according to the determinants and nature of those units, their size, product, and service provided to customers. The most important areas and activities of the control and internal audit bodies can be highlighted through the following (Karin & Nebbel, 2013):

1. Studying the nature of the activity of economic units, whether productive or service and ensuring the effectiveness and safety of control and internal control procedures in those units.
2. Determining the responsibilities of departments and centers for activities and events to evaluate the performance of those departments and centers and the performance of their employees.
3. Ensuring the safety, validity, and accuracy of financial and non-financial operations, records, and lists, in addition to the soundness of procedures and administrative contexts in governmental and private economic units.

### 3.2.3. The effect of adopting lean thinking tools and procedures on internal control and auditing:

Lean thinking procedures and tools work to focus on activities and activities that have an important impact on the activity of economic units and work to remove all activities and events that cause a waste of time and effort and are of high cost in vain and importance (Al-Janabi, 2018).

The application of lean thinking procedures and tools to the activities and work of the control and internal audit bodies would provide a guarantee on the effectiveness and quality of the performance of these bodies and ensure the quality of their financial

reports submitted to the senior management in the economic units and improve the performance evaluation processes in the centers and divisions, which will be positively reflected on those units and raise the value (bin Ali, 2015).

### 4.0.LITERATURE REVIEW

Through a review of the various literature from books and articles that dealt with the subject of flexible auditing, most studies have indicated the importance of flexible auditing as a modern practice in the field of auditing, value-added, productivity, service quality, and customer satisfaction, as follows:

(Womack & Jones., 2003) This study is based on a case study of industrial companies and a statement of the impact of flexible thinking tools and procedures on that industry and how to reduce production costs and unnecessary activities and works in the production process and the impact of adopting a flexible thinking approach on raising the value of the company.

(Leonardo & Frank., 2007) According to this study, flexible thinking procedures and tools were used on the cash transfer business and the impact of the use of lean thinking on this sector of business and services.

(Debbie., 2009): This study focused on several important issues and issues related to the subject, such as providing the basic pillars of advanced technology, advanced information and communication systems, skilled, efficient, and well-trained workforce, working by the orders of the superior, subordinate, and leadership, as well as periodic review of decisions and activities to assess the effectiveness of activities or not and to address weaknesses.

(Morgan & Brenig-Jones., 2012) : This study emphasizes the importance of using the (Six Sigma ) approach to develop tasks and works in the departments of economic units and all organizations.

(Valente et al., 2012) This study is based on an applied case study using the tools and procedures of the lean internal audit approach on the case of a construction company in light of special restrictions and limits and the possibility of applying lean thinking procedures in those companies and the possibility of making development and improvements and then generalizing the study to companies from other sectors.

(Vinodh et al., 2014) : This study showed the importance of adopting industry tools and activities that are free of waste and waste, exploiting resources, reducing production costs, and using those effective activities that would raise the value of these companies.

(Djordjevic & Čečević, 2014) : This study showed the successes and developments in some companies that adopted tools and

measurements (Lean Six Sigma) as a result of a deep understanding and awareness of the operations and activities of competing companies.

(Paterson, 2015) : This study focused on the importance of activities and events that reduce waste in resources and costs, exploit human resources efficiently and effectively, use technology and modern means of communication, and adopt lean internal audit tools, measurements, and procedures to ensure the quality of financial reports and transparency submitted to senior management and take the right decisions that will raise the value and gain satisfaction. Customers and corporate operations development, which is in line with International Standard No. (2000)

(Badwe & Erkan., 2018 ): This study emphasizes the importance of (Lean, Six Sigma ) as a method and procedure that can be applied to reduce waste in resources, remove waste, reduce costs, get rid of unnecessary activities and activities that represent obstacles in work, focus on the rapid development approach, the quality of the information provided to senior management, and gain customer satisfaction with the services provided.

(Sakar et al., 2020): This study showed the importance of adopting and applying lean thinking and auditing tools and procedures in the banking sector to ensure the effectiveness and quality of the work of the control and internal audit bodies in the banking sector. The positive impact of lean auditing on raising value in the banking sector was reached.

## 5.0.RESULTS AND INTERPRETATIONS:

By reviewing previous studies conducted in the Iraqi, Arab and foreign environments, it is noted the scarcity of Iraqi and Arab studies that dealt with the subject of lean thinking and scrutiny, while there are many foreign sources from books and articles that dealt with this subject.

All studies focused on the importance of the subject of lean thinking in the industrial and production sectors and the possibility of using it in the service sector, including in the internal audit activity of private and governmental economic units. And periods, cost, loss, improvements in customer satisfaction, productivity, capacity, and responsiveness to quality, and that applying lean thinking techniques to internal audit work will lead to efficiency improvements in standard audits, as well as insight into the modern serious methods of internal auditing.

According to the analysis of the previous ten studies, the researcher agrees with all the studies reviewed in that the goal of lean thinking is to establish an economic unit that maintains growth by matching customer satisfaction with employee satisfaction and providing



innovative, high-quality, and comfortable services as well as reducing unnecessary additional costs Which leads to the improvement of the internal audit service.

#### 6.0.Conclusion :

Through a literature review of (10) between an article and a book that dealt with the subject of flexible thinking in the internal audit activity the following conclusions were drawn;

1. The adoption and application of flexible thinking tools and contexts in the internal audit activity in private and governmental economic units would work to eliminate waste and assess deviations that may occur in financial reports and enhance the confidence of the parties interested in internal audit reports, which is positively reflected on the effectiveness and quality of internal audit.
2. Lean also applies to internal audit engagements. For an effective internal audit function, it is about working with managers to get the focus and priorities of the audit engagements right determining whether principal risks are under control, and producing internal audit reports that are short insightful and recognize the wider context of the organization.
3. The use of waste-free methods of work in internal auditing through the means and tools related to financing, human resources, and information technology operations would lead to the introduction of development and improvement processes in the standard audit processes while giving a new and modern vision on the quality of internal auditing.

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