

THE ROLE OF INTERNAL AUDIT IN REDUCING NON-WORKING ASSETS IN IRAQI COMMERCIAL BANKS: AN APPLIED STUDY IN THE GULF COMMERCIAL BANK AND THE NATIONAL BANK FOR THE PERIOD (2012-2021)

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Abstract: *The research aims to shed light on the role of internal audit in reducing non-performing assets in commercial banks, as a sample consisting of two banks (Gulf Bank and Al-Ahli Bank) was selected to measure non-performing assets, and for a time series extending from (2012-2021), and to achieve This goal The researchers designed a questionnaire distributed to the employees of the banks, the research sample consisted of (62), from which (50) questionnaires were retrieved valid for analysis, and after analyzing the items of the questionnaire using the statistical program (SPSS), many conclusions were obtained, the most important of which are: Non-working assets represent a major problem With regard to credit-granting banks, as well as with regard to the banking sector, as an increase in the volume of these debts leads to an increase in their allocations, and thus this will lead to a decrease in the credit granted to finance projects, which leads to the creation of unemployed energies and an increase in unemployment, in addition to that the internal audit has a positive role in limiting and reducing non-assets Banks operating in the research sample.*

Keywords: *internal audit, non-performing assets*

INTRODUCTION

The scientific and technological development, which appeared clearly in the current era, led to the expansion of the size of banks, the ramification of their functions, and the increase in their complexity and diversity, which increased the difficulty of their management. It was necessary to pay attention to the internal audit function, as it contributes to tracking gaps and cases of inefficiency, early detection of risks, errors, deviations, and sometimes manipulations, and verifying Availability of clear policies and procedures, and the extent of the bank's commitment to them. The internal audit process is the most appropriate in evaluating, managing and protecting assets, and providing advice on what are the most successful ways to manage them.

1- Research problem:

The research problem is summarized through the following question :Is there a role for internal audit in reducing non-operating assets in commercial banks?

2- The importance of research:

The importance of this research comes from the importance of the issue of non-working assets since it represents a problem for banks, and the importance of the topic lies in identifying the role of internal audit in reducing the effects of non-working assets in Iraqi commercial banks.

3- Research objectives:

A- Knowing what non-working assets are and what their effects and indicators are, as well as knowing the definition of internal auditing, its importance and characteristics. B - shed light on the issue of the impact of non-operating assets on the Iraqi commercial banks.

C - Determine the role of internal audit in reducing non-performing assets.

5- Research Methodology

This research relies on both the inductive method and the deductive method as follows:

A- Theoretical side:



In this aspect, the researcher relies on extrapolating and analyzing what was included in previous studies and internal audit standards, and clarifying the most important findings that it reached, in order to build an integrated framework to clarify the role of internal audit in reducing non-working assets, by relying on sources, references, books, periodicals, and scientific research. in **B- The practical side:** In this aspect, the researcher relies on the deductive method through conducting field research To reach the role of internal audit in improving the reduction of non-performing assets, from the financial statements of the banks, the research sample for the period (2012-2021), and through the design of a questionnaire form and its distribution to the research sample consisting of bank employees, the research sample In order to find out their opinions and benefit from them to test the validity of the hypotheses in order to achieve the objectives of the research.the field of auditing and finance.

6-search limits :

A- Temporal limits: The research covered the selected sample in the spatial limits (2012-2021) for the dependent variable, while the independent variable was 2023.

B- Spatial boundaries: Gulf Bank and National Commercial Bank

C- The human limit: the internal auditors and those working in banks, the research sample.

Second: The theoretical aspect of the research

1- Definition of internal audit

It is a set of internal systems or internal functionalities established by the administration to perform its service in checking operations and restrictions on an ongoing basis to ensure the accuracy of accounting and statistical data, and in ensuring the adequacy of the reserves taken to protect the assets and property of the institution, and in verifying that the employees of the institution follow the policies, plans and procedures set for them and in measuring the validity of those Plans, policies and all other means of control in the performance of its purposes and proposing the necessary improvements to be made to it in order for the institution to reach the degree of maximum production efficiency. (Iman and Rahma, 2019: 3)

As defined by the French Institute of Internal Auditors and Auditors IFACI, internal audit is a periodic examination of the means placed at the disposal of senior management in order to monitor and run the institution. Permission to check whether the applicable procedures include adequate guarantees, that is, the information is truthful, the processes are legitimate, the organizations are effective, and the structures are clear and appropriate. (Putin, 2010: 5)

Also, according to the Association of Internal Auditors in the United States of America, internal audit is defined as a function performed by employees from within the project and deals with critical examination of procedures and policies and continuous evaluation of plans, policies, administrative and internal control procedures, with the aim of ensuring the implementation of these administrative policies and verifying that the components of internal control are sound and its information is accurate and sufficient .(Sufyan, 2018: 11)

The importance of internal audit

The importance of internal auditing is due to the fact that it is a means, not an end, and it serves several parties that use the audited financial statements and adopt them in making decisions and drawing up policies and future plans. Among these categories, we find: (Khalasi, 2013: 50)

A- The management of the institution: It is considered the first beneficiary of the audit process, as it informs it of the deficiencies in the internal control system, and takes appropriate decisions in the light of the data. B-

Investors: The results of the audit enable them to make their decisions regarding investing in the institution and not to risk their money. C -

Banks and creditors: The auditor's report is considered an important reference for the various creditors of the institution through their knowledge of the soundness of the institution's financial position and the degree of liquidity in order to take the appropriate decision on how to deal with the institution in the future.

D - Tax Administration: This is to find out the size of the real taxable base based on the internal auditor's proceeds.



C - The importance of auditing for owners and users: This sect resorts to approved financial statements and is guided by its data to know the financial situation and economic units and the strength of their financial position in making decisions to direct their savings and investments so as to achieve for them the largest possible return and consider it as a possible protection element. H - The importance of internal auditing for creditors and suppliers: they depend on it to know the financial position and the ability to fulfill the commitment by the institution in granting and expanding commercial credit.

G - The importance of internal auditing of government agencies: for the purpose of planning, monitoring, imposing taxes, fixing prices and providing subsidies to some industries. D -

The importance of auditing banks and other financial institutions: as these institutions play an important role in short-term financing for institutions to meet their needs and expansion, for this they depend on the financial statements and the auditor's report to study and analyze the financial statements and the acceptance of the institution in terms of bank credit.

3- Characteristics of internal auditing

There are a set of characteristics of internal audit, including the following:

A- An independent assessment activity: It means that the internal auditor is independent of the activities that he audits, that he administratively follows the highest levels of the bank's organizational structure, such as the board of directors or the audit committee emanating from it

.b- Consulting activity: where the internal audit works to provide the management of the bank's board of directors with the analyzes, studies, consultations and suggestions necessary to take the appropriate decisions at the right time.

C- Confirmation activity: based on the results of the risk assessment, the internal audit activity evaluates the adequacy and effectiveness of the internal control system tools, as it reassures the management that the risks associated with the bank's activity are understood and are dealt with appropriately. (Lakhdar, 2018: 19)

D- Objective activity: that is, the internal auditor performs his work without bias towards any party that may have an interest in the results of the audit process, so that the internal auditor must exercise impartiality and fairness in collecting and evaluating evidence and evaluating the results. Objectivity is considered an essential characteristic of the internal auditor, as it is It allows the auditor to provide all assurance services and advisory activity to the board of directors and stakeholders of the company. (Faith and Mercy, 2019: 5)

5- Definition of non-performing assets

Non-performing assets are defined as those assets in which customers stop paying the obligations owed by them on their due dates, despite the bank's request to pay them for reasons that are mostly beyond their control and cannot be overcome except by external intervention, and it decides after studying the customer's financial position and debt guarantees that It is so dangerous that it cannot be collected within a reasonable period. (Ahlam Bou Abdali, 2015: 100) Assets are considered non-performing when they do not generate a return, that is, assets whose returns are not added to the bank's revenues, but are placed in a separate account after studying and analyzing the loan and its components. And the capabilities of the establishment and considering it as an "irregular" asset and making provisions and reserves for it. (Ramadan Zainab, 2012: 28) Or it can be defined as including the inability of the borrower to service the debt, which is represented in the principal amount in addition to the interest accrued from it on maturity dates, and the asset turns into a non-performing asset because the degree of risk is higher than the maximum level of the normal risk of assets list, according to the standards established and specified by the banking supervisory authorities in the country concerned. (Osman, 2013: 397)

6-Effects of non-performing assets

Non-operating assets reflect a number of negative effects on banks in particular and on the national economy in general, which may lead to obstruction of their business and improve their performance and their ability to keep pace with developments in the global and banking industries, and among these negative effects we mention the following: (Shaherazad, 2017: 42)



A- The impact of non-performing assets on banks The non-performing assets have many negative effects on banks, which are as follows:

First: Poor distribution of the bank's resources: The increase in the percentage of non-performing assets to the total facilities granted leads to a cautious, if not conservative, policy in granting new facilities, which leads to depriving viable projects of financing opportunities, which reduces the bank's employment.

Second: Effects on Profits: Non-working assets have broad negative effects on profits, for example, but not limited to:

(1): Funds frozen in non-performing assets are not within the reach of the bank to invest. (2): Increasing the time and effort required by officials to follow up on these assets, which is reflected in their productivity and the return rate of banks that suffer greatly from relatively limited non-working assets. (3): The

decline in the operational capacity of the bank's resources and the freezing of a large part of it in the form of provisions as a kind of precaution.

Third: The financial effects: can be summarized as follows:

(1): Increased provisions for non-performing assets and bad debts expenses.

(2): The costs of lost opportunities due to the freezing of funds in troubled assets.

(3): The costs of defaulted facilities, such as trying to fix them, and the deterioration of the bank's image with the public.

(4): The costs of processing non-operating assets in the judiciary, the courts, lawyers' fees, the liquidation of the guarantee, and the suspension of the interest accruing from those assets

B- The effects of non-operating assets on the national economy: through the impact on:

Economic resources: such as labor, capital, land, and administrative resources that suffer from stagnation in light of low profitability and lack of productivity.

Economic growth: The higher the percentage of successful banks in financing projects, the higher the economic growth rates, and vice versa, the higher the percentage of non-working assets, which negatively affects economic growth. Negatively affects the implementation of the state plan aimed at developing investment and providing more job opportunities.

Indicators of non-performing assets

A- Indicators related to the customer's transactions with the bank: they are divided into:

First: Indicators related to the general situation within the bank

Among the indicators related to customer transactions are the following: (Fadila, 2017: 122)

(1): The absence of a sound credit policy within the bank.

(2): Existence of withdrawal movements from the account that are not commensurate with the nature of the borrower's work on the one hand, and the needs of the funded project on the other hand Weakness of human resources or their insufficient availability.

(3): The customer's failure to respond to the bank's repeated requests for approvals, data, and documents necessary to monitor and renew the debtor account

(4): The lack of an efficient and effective lending information system; And the customer showed that he did not cooperate with the bank, did not respond to debt reduction when requested, and the difficulty of contacting him.

Second - the indicators related to the borrower's requests

There are many indicators related to the borrower's requests, including: (Qadri, 2017: 233)

(1): The client submitted repeated requests to increase the ceiling of the credit facilities granted to him without justification and in an unplanned manner.

(2): Repeating the customer's requests to schedule the installments of the facility, which indicates that the borrower is unable to manage his financial affairs well, and that he has not benefited from the grace period granted to him to enhance his ability to repay. (3):

The emergence of other lenders, especially if the facilities are backed by guarantees.

(4):

Excessive reliance on short-term facilities.

(5):

An increase in the ratio of facilities to capital or self-resources.

(6):



The customer requested an increase in the storage period for his goods in the bank's public warehouses.

Third - indicators related to guarantees

There are many indicators related to guarantees, including: (Qadri, previous source: 233).

(1): The customer requests the bank to remove the quarantine sign from the guarantees provided to him.

(2): The client's request to replace the in-kind guarantees with personal guarantees, which indicates that the borrower wants to dispose of the in-kind guarantees.

(3): Delay in providing additional guarantees when requested by the bank.

(4): Presenting bills of exchange to the bank drawn on a specified number of debtors. (5):

The value of the collateral shall decline as a percentage of the value of the granted facility.

B- Indicators that appear through the data of the borrower

First - Indicators from the general budget and its appendices:

(1): Increasing the collection period for notes receivable and accounts receivable.

(2): Sharp fluctuations in liquidity.

(3): A sharp increase in commodity inventory and a decline in inventory turnover . (4):

frequent change of auditors and a defect in the structure of sources of funds . (5):

The auditor has reservations about the financial statements of the borrowing company.

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Second- Indicators of default are inferred from the statement of revenues and expenditures:

(1): Declining sales .

(2): High value of goods returned sales .

(3): Concentration of a large gap between total income and net income.

(4): The company has continuous operating losses.

(5) An unjustified increase in one or some items of expenditure with a decrease in revenue.

Third: - Other non-financial indicators

(1): There are many other financial indicators, including the following: (Siddiqi 2017: 74)

(2): Decrease in the ratio of current assets to total assets:

(3): High inflation and interest rates, weak supervision of banks.

(4): State interventions that have a negative impact on borrowers.

(5): Security and political instability. (6):

Force Majeure or Sudden Accident: If the funded project is exposed to force majeure or a sudden accident.

(7) The lack of wide scope of transparency and disclosure at the macro level, and thus the difficulty of identifying the actual needs of the markets.

(8) payment of the Borrower's insurance policy.

(9): The company's lack of response and interaction with changes in the external environment.

8- The importance of settling non-working assets

The delay in the settlement of non-working assets constitutes a serious harm to both banks, the customer and the economy, and this settlement is considered a vital addition to the bank and provides it with good liquidity through the reuse of settlement funds in the form of new and studied credit facilities in order to achieve a return and compensation for what was lost, as the increase in the bank's liquidity helps it to provide and complete Capital adequacy as required by the Basel Agreement, which contributes to improving its financial indicators that affect its evaluation and classification internationally, in addition to restoring vitality to customers and revitalizing their

business, which helps in not inflating the numbers of non-performing assets and is positively reflected in the bank's classification of its credit portfolio (Habib: 2015 : 21).

Third: the applied side of the research

The applied side of the research aims to test the validity of the research hypotheses about internal auditing in reducing non-operating assets in banks.

And the research community, by clarifying the procedures and methods of statistical analysis that were used in testing the research hypotheses, how to design the questionnaire, enter and process the data, determine the coefficient of stability and self-validity of the research variables, in addition to describing the research sample, and in the end the research hypotheses are tested. Based on the above, the researchers organize and divide this aspect as follows:

The first axis: applied research procedures:

First: the search tool

(1): the independent variable (internal audit)

To achieve the objectives of the research, a questionnaire was prepared on the role of internal audit in reducing non-operating assets in the research sample banks. The questionnaire consists of two main parts as follows:

The first section: general information about the research sample members.

Section Two: Internal Audit, consisting of 10 paragraphs.

(2): the dependent variable (non-working assets)

The researchers relied on measuring and analyzing the reality of non-working assets in the Commercial Bank of Iraq, the research sample, on the ratio of the loss allowance for loans and advances to loans and advances: this ratio is measured by dividing the allowance for loan losses to the total loans and advances, and this ratio aims to indicate the amount of loans in which borrowers were unable For repayment on the expected due dates, either because of the unwillingness to do so or because the borrower was unable to pay due to circumstances or problems associated with the activity he is engaged in with the amount of loans or advances borrowed from the concerned bank, and the higher this percentage, the higher this percentage has a negative indication on the bank on the one hand and its reputation towards depositors And the shareholders on the other hand, and because it leads to a high risk of default in the payment of banks.

Second: the research sample

The research sample was chosen by the random sample method, where (62) questionnaires were distributed, provided that the distribution includes all levels described in the research community, and (50) valid questionnaires were retrieved, as the response rate reached 81% of the distributed questionnaires, and 19% of the questionnaires were not completed. This replay rate is very good.

Third: Descriptive Statistical Methods:

The spss v21 program was used to extract the statistical results, and the statistical methods were used to interpret them, as follows:

- A- Frequency distribution, standard deviation, and the arithmetic mean, if the arithmetic mean measure was used to reflect the direction of the answers to the search terms.
- B- Cronbach's alpha coefficient to measure the stability of the resolution.
- C- Pearson correlation coefficient to measure the relationship between the independent variable and the dependent variable.
- D- test coefficient of determination R².
- E- Determination coefficient R², which is used to determine the effects between the independent variable and the dependent variable.
- F- h- Regression coefficient to determine the effect of the independent variable on the dependent variable.

The second axis: data analysis and hypothesis testing:

1- Personal data analysis:

The following is a presentation of the personal information of the research sample according to the questionnaire and as shown in Table (1)

Table No. (1) Distribution of the research sample members according to the personal characteristics of the sample members

The ratio%	Repetition	variable	the details
0.04	2	PhD	Qualification
0.16	8	Master's	
0.20	10	Higher Diploma	
0.60	30	Bachelor's	
0.16	8	اقتصاد	Scientific specialization
0.20	10	business management	
0.24	12	accounting	
0.40	20	Banking and Financial Sciences	
0.08	4	5 years and less	years experience
0.12	6	10-6 years	
0.14	7	years old 16-11	
0.30	15	years old 20-16	
0.36	18	over 21	

It is clear from Table No. (1) that the distribution of the research sample according to academic qualification indicates that the bachelor's holders represent a percentage of (0.60), followed by higher diploma holders with a percentage of (0.20), then master's holders with a percentage of (0.16) and finally those with a PhD with a percentage of (0.04). The total vocabulary of the research sample. As for the scientific specialization, it indicates that the specialization of financial and banking sciences represents a percentage of (0.40), followed by accounting with a percentage of (0.24), then a business administration campaign with a percentage of (0.20), and finally economics with a percentage of (0.16) of the total items of the research sample. While the table indicates that The distribution of the sample items according to the years of experience indicates that more than 21 years represent a percentage of (0.36), followed by 16-20 years with a percentage of (0.30), then 11-16 years with a percentage of (0.14) and finally 5 years or less with a percentage of (0.08) of the total vocabulary of the research sample. . Thus, this reflects that the sample members have the ability to understand the vocabulary of the questionnaire and increases the reliability of the answers.

2- DATA ANALYSIS

The first axis: the independent variable (internal audit)

The following is Table (2), which shows the descriptive statistics and the frequency distribution of the phrases that measure internal auditing

Table No. (2) Frequency distribution and percentage of the questionnaire phrases

standard deviation	the arithmetic mean	Strongly Disagree	not agree	neutral	Agree	Strongly Agree	phraseology	ج
0.45	4.54	-	-	1	19	30	The reliance of the internal auditor on analyzing the factors affecting the assessment of the credit position of the customer (debt seeker) and the credit information available to the bank	1
		-	-	0.02	0.38	0.06		

							regarding each (customer) will lead to reducing the risk of non-payment to the lowest possible risk that the bank will be exposed to in the future.	
0.22	4.54	-	1	1	20	28	The internal audit department needs to expand its functions stipulated in the bank's by-laws to reduce the risk of non-performing assets.	2
		-	0.02	0.02	0.40	0.56		
1.11	4.28	-	1	4	20	25	Internal audit should audit all administrative, organizational and operational aspects of the risk management department	3
			0.02	0.08	0.40	0.05		
1.65	3.94	1	2	5	18	24	The guarantees provided by the debtors (the borrower) to the bank should be checked and whether they are appropriate in relation to the loan amount, and to ensure that the guarantee has been seized for the benefit of the bank.	4
		0.02	0.04	0.01	0.38	0.48		
1.57	4.08	1	4	7	12	26	The reports of the committees for evaluating feasibility studies should be audited The economic feasibility study submitted by the borrower to the bank in the case of loans that require the submission of an economic feasibility study.	5
		0.02	0.08	0.41	0.24	0.52		
1.6	4.1	-	3	7	12	28	The internal auditor ensures the validity of debt recovery scheduling (loan recovery period) as one of the most important effective measures to reduce non-performing assets.	6
		-	0.06	0.41	0.24	0.56		
1.7	4.1	1	2	7	10	30	It is necessary to check the payments of the loan granted to the borrower, that is, to ensure that the method of paying the loan was based on the stages of project completion or in one payment.	7
		0.02	0.04	0.41	0.20	0.06		
1.74	4.06	-	3	7	11	29	Diversification is among the measures taken by the internal audit and one of the effective methods to reduce non-performing assets.	8
		-	0.06	0.14	0.22	0.58		
1.47	4.1	-	-	6	19	25	Diversification is among the measures taken by the internal audit and one of the effective methods to reduce non-performing assets.	9
		-	-	0.12	0.38	0.05		
1.46	4.1	1	1	5	20	23	The auditor's report contains alternative solutions and suggestions that increase the effectiveness of the audit to confront non-performing assets	10
		0.02	0.02	0.10	0.40	0.46		
1.29	4.18	4	17	50	161	268	Total phrases	
		0.01	0.03	0.10	0.32	0.054		

Source: Prepared by researchers based on the output of the statistical program (21Spss).

It is noted from tables (2) that:

1- Most of the research sample agree on the importance of internal auditing, as the percentage of those who agree with that is (0.86), while the percentage of those who do not agree with that is (0.04).

2- The arithmetic mean of all the paragraphs that measure the phrases of the first axis (the importance of internal auditing) of the research indicates that the level of response is in agreement, as the arithmetic mean for it reached between (4.54-3.94) and the general mean for all the paragraphs (4.18), which is greater than the hypothetical mean of the research. The amount is

(3), and this indicates that the sample members agree on the importance of internal auditing, and the standard deviations for it ranged between (1.65 - 0.22) and the general standard deviation reached (1.29). According to the five-point Likert scale, the answers of the sample members are approval.

The second axis: the dependent variable (non-working assets)

Table (3), which shows the non-operating assets in banks, the research sample for the period (2012-2021)

the total	Al-Ahly of Iraq	Commercial gulf	Years
4.69	5.98	3.40	2012
4.685	6.51	2.86	2013
2.135	1.15	3.12	2014
0.865	1.28	0.45	2015
0.74	1	0.48	2016
5.215	2.01	8.42	2017
5.74	1.46	10.02	2018
6.465	1.04	11.89	2019
7.185	0.83	13.54	2020
8.06	0.77	15.35	2021
4.578	6.953	2.203	the arithmetic mean
2.554	5.558655	2.16293	standard deviation

Source: Prepared by researchers based on the output of the statistical program (21Spss).

From the results presented in the above table, we find that the highest value of the arithmetic mean for non-performing assets was in the year 2021, when it amounted to (8.06). As for the lowest value of the arithmetic mean values of non-performing assets, it was in the year 2016, when it amounted to (0.74). There are different values for the arithmetic mean values of non-performing assets during the study years. The above can be illustrated by the figure below.

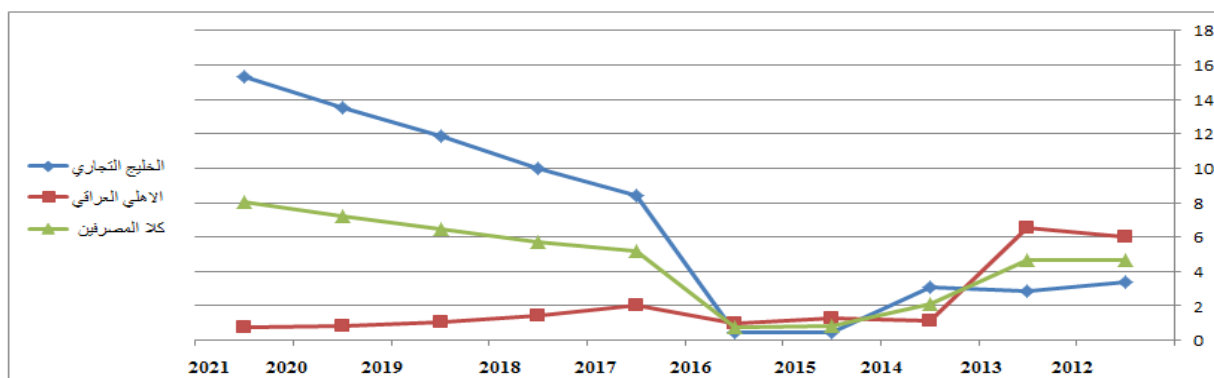


Figure No. (1) shows the values of the arithmetic mean of the banks under study during the years of the study

Source: Prepared by researchers based on the output of the statistical program (21Spss).

3- HYPOTHESIS TESTING:

4- A- The correlation between the variables under study

It is possible to measure the strength of the relationship between the dependent variable, which represents (non-performing assets) and the independent variable, which represents (internal audit), as it focuses on testing the main hypothesis (the null hypothesis), which states, "There is no statistically significant correlation for internal audit in reducing non-performing assets." Operating in commercial banks for the period from 2012-2021 "against another hypothesis (alternative hypothesis)" There is a statistically significant correlation for internal audit in reducing non-

operating assets in commercial banks for the period from 2012-2021. In the current study, we will rely on the scale of Mukaka (2012: 71)) to determine the strength of the correlation between the variables of the study, as shown in Table (1).

Table 4 Standard strength coefficient of correlation

1.00-0.90	.90-0.700	.70 -0.500	.50-0.300	.30-0.000	degree of correlation
Strong very	strong	Moderate	low	very low	link strength

Source: Mukaka. M.M. (2012) " Statistics Corner: A Guide to Appropriate Use of Correlation Coefficient in Medical Research" Malawi Medical Journal; vol.24,no3 -p. 69-71

Where the correlation relationship between the studied variables can be described according to the banks under study and as shown in the table below

Table (5) shows the matrix of the values of the correlation coefficients between (internal audit) and (non-performing assets).

Non-performing assets	internal audit	Variables	
0.702**-	1	Corr	internal audit
.0000	----	Sig. (2-tailed)	
10	10	N	
1	0.702**-	Corr	Non-performing assets
----	.0000	Sig. (2-tailed)	
10	10	N	

Through the results presented in Table No. (5), we find that there is a statistically significant inverse relationship between internal auditing and non-performing assets, and that relationship was estimated at (-0.702). And in the language of the moral value (Sig. (2-tailed)) (0.000), which is much smaller than 0.05, so this relationship is significant, which means accepting the first hypothesis that states "there is a statistically significant correlation between internal audit and asset reduction Non-operating commercial banks as a research sample.

B- Studying the impact relationship between the independent variable and the variable affiliated with the banks under study

This paragraph focuses on studying the relationships of the effect of the independent variable represented by (internal audit) with the dependent variable represented by non-working assets, which focuses on testing the second hypothesis, which states that **(there is a statistically significant effect of internal audit in reducing non-working assets in commercial banks, the research sample)**

Where it is possible to measure the impact relationship between internal auditing on non-performing assets, as shown in the table below.

Table (6) shows the estimated values for the coefficient of the simple regression equation between the two variables, non-working assets and internal audit

Sig	(F)	Non-performing assets			dependent variable
0.000	10.646	Sig) (T)β(the independent variable
		0.147	1.058	1.571	Intercept
		0.000	6.845 -	-0.072	internal audit
		R ² =0.476 The coefficient of determination of determination R ² = 0.492			Corrected coefficient

Source: Prepared by researchers based on the output of the statistical program (21Spss).



From the results presented in the above table, when the internal audit is increased by one unit, the non-operating assets will be affected by the decrease by ($\beta = -0.072$), and this leads to the possibility of saying that the internal audit will have a negative role in the non-operating assets, and this is clear from Through the (t) test of the beta value coefficient (B_1), which amounted to (-6.845), which is evidence of the significance of the beta coefficient under the level of significance of 0.05, as well as through the calculated (F) value (10.646), which is a significant value under the level of significance of 0.05, we conclude that The model studied between internal auditing and non-functioning assets is very compatible with the phenomenon under study. In addition, it is noted from Table (6) that the coefficient of determination (R^2) amounted to (0.492) and the corrected coefficient of determination (0.476), which shows that the portability of interpretation The regression equation is high, which indicates that (47.6%) of the changes that occur in non-working assets are due to the internal audit variable, and through the above results we accept the hypothesis that (there is a statistically significant effect of internal audit to reduce non-working assets in commercial banks, the research sample) .

FOURTH: CONCLUSIONS AND RECOMMENDATIONS:

1- Conclusions:

- A. Non-performing assets represent a major problem for the credit-granting banks as well as for the public sector, as the increase in the volume of these debts leads to an increase in their allocations, and thus this will lead to a decrease in the credit granted to finance projects, which leads to the creation of unemployed energies and an increase in unemployment.
- B. In order to avoid and reduce the percentage of non-performing assets, banks must follow strict credit policies with new customers of the bank, as well as obtain various guarantees that are sufficient to cover the loan in the event of its default.
- C. Banks play the role of financial intermediary between savers and borrowers, as they work to direct funds from surplus units to deficit units, and therefore they must create a balance between supply and demand for funds so that the bank has the ability to pay its obligations.
- D. Internal audit is considered one of the most important mechanisms of governance, which contributes significantly to reducing non-performing assets.
- E. There is a correlation and a positive moral effect between the role of internal auditing and the reduction of non-operating assets in the research sample banks.

Recommendations:

- A- Banks must follow strict policies with their new customers in order to preserve their funds.
- B- Developing relations between local commercial banks and foreign banks in order to exchange experiences and competencies 3- The necessity of continuous and diligent follow-up and monitoring by banks on their granted credit to ensure that it is used for the purpose for which it was granted, as well as verifying the value of guarantees and asking the customer for additional guarantees in case Decrease in the value of the guarantees provided.
- C- It is preferable that banks handle non-operating assets in friendly ways with the client and avoid judicial methods because they take a lot of time in addition to the large expenses paid by the bank.
- D- Banks must adhere to the correct foundations and laws issued by the Central Bank with regard to credit-granting policies, as well as taking into account accuracy when selecting workers in the banking field.
- E- Giving more support to the internal audit to limit non-performing assets in terms of developing plans to handle those assets and how to achieve the bank's objectives and maintain banking security and stability for the banking sector.
- F- The need to provide a set of requirements that would support the independence and objectivity of the internal auditors.

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