

**The Impact of Internal Auditor's Role on Corporate
Sustainability & Stakeholders' Decisions
“An applied study”**

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Abstract

The research aims to study, evaluate and analysis how internal auditor's role affect sustainable corporations and stakeholders, also the research study it's impact on the relationship between sustainable corporations and stakeholder's decisions and this all in the listed corporations in the Egyptian stock of exchange. To achieve these goals, the research depended on using both the deductive and inductive approach and that to analyze the previous literature concerning the research and then testing the validity of the research hypotheses in the surrounding environment and that through applied study. The study was applied on a sample of 53 corporation listed in the Egyptian stock of exchange. And based on the results of statistically test hypotheses the applied study indicated that there a statistically significant relationship between internal auditor's role and sustainable corporations, and between internal auditor's role and stakeholders', and between the corporate sustainability and stakeholders' decisions.

Keywords: (Internal auditor's role, sustainable corporations, stakeholders' decisions).

1. Introduction

Nowadays, internal audit serves as the backbone to most corporations' sustenance as it is one of the most and main pillars of corporate governance.

Internal audit is not a new concept. It has evolved over time from mere audits of financial record to the identification of fraud and corruption, it appeared in the beginning with the aim of discovering errors, fraud and manipulation, and the scope of the it was limited to auditing and controlling only the financial aspects.

And the increasing in complexity of activities performed in such environment that is subjected to rapid change (Otetea and Tita, 2013), and the increase in corporations size led to the need for the management of corporations to work with a

rigorous, but flexible control, The management requires continuous and systematic monitoring of the activities(Susmanschi , 2012), which opened the way to internal audit, as one of the main pillars of control and an effective tools that can help the management, it's has increased dramatically in the last two decades it existence is justified by the added value that is obtained by reducing or even eliminating risks within the corporations(Otetea and Tita, 2013). Therefore, it is important to use this instrument as required and in an efficient manner so that the results are reflected in the activities of the corporation.

The evolution of the internal audit function was related to the development of the business environment (Grof and et.al, 2016), forcing it to perform modern roles to serve up management functions such as internal control, governance, and risk management. Regarding the modern definition of internal auditing, it has the assurance and consulting role for the three areas mentioned above (Petrascu, 2010).

While the corporation's focus is on sustainability, internal audit is required to do these two roles to serve the three functions, regarding the dimensions of sustainability (economic-social-environment). And that the management disclose this to the stakeholders, which is reflected in their vision of the value of the corporation by recognizing the added value of these roles.

Sustainability is the integration of economic, social, and environmental objectives (Younis and Chaudhary, 2017). Corporations must make a balance between economic progress and taking into account the social dimension on one hand and the environment on the other, so that current economic growth does not affect the right of future generations to use resources (Barroso, 2010) and this according to the corporate citizenship concept^(*).

Thus, internal audit plays an important and essential role as a supervisory tool that extends to the financial and non-financial aspects of the corporation (Saud, 2015), which means that internal auditor must understand the nature of all activities of the corporation, whether economic, social or/and environmental as one of the elements of competition, survival and the continuation of the corporation (Senal and et.al., 2012).

The current research aims to classify the role and activities of internal audit in achieving corporate sustainability for listed corporations in the stock exchange under the pressure exerted by international and professional organizations on the compatibility between their economic objectives and social requirements and the

^(*) Corporate citizenship means that even the corporation be a good citizen should seek to achieve not only financial shareholder interests, but the interests of all the other beneficial.

environment and improve their relationship with several parties as a precondition for survival and continuity and also how the role of internal auditor in corporation affect the stakeholders decisions generally and how such a role regarding sustainability affect also their decisions -in indirect way- specially the decisions of their investment in those corporations.

2. Conceptual Framework

The main objective of this section is to introduce the conceptual framework for internal auditor, sustainability, and stakeholders' decisions.

2.1 Internal auditor and sustainability:

2.1.1: Corporate sustainability:

Sustainability has quickly become a core business mission. Over the past two decades corporate sustainability efforts have shifted from a risk-based compliance approach, where rudimentary, voluntary, sometimes haphazard initiatives have evolved into a complex and disciplined business imperative that focuses on the needs of customer and stakeholder (Ernst &Young and Greenbiz, 2012).

Corporate sustainability has become one of the competition drivers as the corporation's success depends on reaching the economic, social and environmental value addition, although that, some critics view corporate sustainability as a cynical ploy, often popularly referred to as "greenwash", aimed to attract consumers who are seen to be concerned about the environmental and social impact of business operations throughout the supply chain, while basic and fundamental environmental and social concerns are neglected (Jones and et.al, 2016).

Joshi and Li (2016) mentioned that corporate sustainability is the development that meets the needs of a corporation's current direct and indirect stakeholders without compromising its ability to meet the needs of future stakeholders as well.

While (Burritt and Schaltegger, 2010) refer to Corporate sustainability as the real situation regarding the effect of corporate activity on the external environment and the consequent implications for the future.

In other words, it can be said that corporate sustainability performance measures the degree to which corporation includes economic, environmental, and social factors in its operations and how these factors effect both the corporation and the society as all.

Sustainable development has gone through many evolutionary stages and the following table summarize such development (United States environmental agency,

2022; Elliot, 2013; United Nations, 1992; Kenton, 2021; GRI, 2002; GRI, 2006; GRI, 2013; GRI, 2016).

In 1970	This was the first stage of sustainability development as the concept of sustainable development was appeared as a plan for the conservation of nature.
In 1987	The world conference on environmental and development published its report that was titled "Our Common Future", often unknown as the Brundland report. The report is used the term "Sustainable Development' widely and defined it as a development that meets the needs of the present without compromising the ability of the future generations to meet their own needs.
In 1992	The United Nations Conference was held in Rio de Janerio and it was known by "Earth Summit" and "Rio Conference" and this conference was held according to General Assembly resolution 44/228 of 20 December 1988. Also, in 1992, the European Commission issued a document titled "Toward Sustainability: A European community program of policy and action in relation to the environment and sustainable development".
In 1994	The concept "Triple Bottom Line (TBL) was coined by John Elkington -famed British management consultant and sustainability-as " as his way of measuring performance. The idea was that a corporation can be managed in a way that not only makes money, but which also improves people's lives and the planet.
In 2002	This year, the Global Reporting Initiative developed Sustainability Reporting Guidelines GRI-G2 for voluntary use by corporations. Reporting on the economic, environmental, and social dimensions of their activities, products and services.
In 2006	In this year the 3rd version of the guidelines of Global Reporting Initiative (GRI-G3), this version provides indicators that help the corporations to measure their economic, social, and environmental performance.
In 2013	The 4th generation of the sustainability reporting guidelines was issued by The Global Reporting Initiative GRI-G4 to improve sustainability reporting.
In 2016	<p>In Jan.2016 the Sustainable Development Goals (SDGs), also known as the Global Goals, were adopted by all United Nations Members as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030.</p> <p>Also, in 2016 GRI issued a consolidated set of standers for sustainability reporting. These Standards are designed to be used by organizations to report their impacts on the economy, the environment, and society.</p>

2.1.1.1: corporate sustainability dimensions:

Corporate sustainability is described as a wide and multi-dimensional construct, composed by 3 dimensions, which are economic, social, and environmental or otherwise referred as 3Ps approach to business (Profit, People, Planet) or the “triple bottom line” (Gbejewoh and et.al., 2021).

So, as said above sustainability consists of three dimensions:

- Economical dimension.
- Environmental dimension.
- Social dimension.
- *Economical dimension:*
It aims to improve the level of human well-being by increasing the share of goods and services, and with limited resources. Resulting in economic growth, economic productivity, sustainable consumption, decent work and job creation, youth employment, labor rights (Gabriela, 2016).
- *Environmental dimension:*
The environmental dimension refers to the conservation of biodiversity and ecosystems and their short- and long-term effects on all life, including human well-being (ecosystem services) (Herforth and et.al, 2014). Environmental degradation can be local, regional and global and locally may include water pollution and contamination, air pollution, waste disposal, deforestation and soil degradation which have a direct impact on human-being (Thakurand et.al., 2014).
Responding to these pressures, corporations around the world have begun to reduce their negative impact on the environment and to voluntarily report on their environmental performance.
- *Social dimension:*
That focuses on of human who is the core of the development and its final goal through interest by many aspects such as social justice and the fight against poverty and the provision of social services for all those in need through the creation of employment opportunities, and provide food, education, and health care, including water and energy saving (Pardo, 2021; Herforth and et.al., 2014).

2.1.1.2: corporate sustainability reports:

Sustainability reporting is a tool that increases transparency as reporting suitability information besides the financial information can provide a complete view of the performance (Atagan, 2017).

According to GRI the sustainability reports are defined as a practice of measuring, disclosing and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development (GRI, 2011).

Sustainability reports bring many advantages, which can be divided into internal and external advantages as follows (Ecovaid, 2022)(Aldrugi and Abdo, 2014):

Internal advantages:

- Better understanding of risks and opportunities.
- Increase the volume of activity.
- Simplifying operations, reducing costs, and improving efficiency.
- Comparing performance internally, and between corporations and sectors.

External advantages:

- Improving reputation and brand loyalty.
- Mitigating negative environmental, social and governance impacts.
- Enabling external stakeholders to understand the organization's true value, and tangible and intangible assets.

2.1.1.3: Sustainability and Egyptian environment:

In 2015, Egypt approved its strategy for sustainable development entitled "Sustainable Development Strategy: Egypt's Vision 2030. And such strategy is summarized in: "Egypt will have a competitive, balanced and diversified economy based on innovation and knowledge, based on justice, social inclusion and participation with a balanced and diversified ecosystem system that invests the genius of the place and a person to achieve sustainable development and raise the quality of life of Egyptians" (The Ministry of Environment, 2016).

There are some legal laws and publications that govern sustainability on the international and native level, but the research will focus on and deal with only the native level – the Egyptian environment.

a- S&P EGX ESG 2010:

The ESG Index was launched by the EGX -in cooperation with EIOD and Standard & Poor's Corporation- in March 2010 and it is the first and only ESG index in the Middle East and North Africa Region designed to track the performance of corporations listed on EGX that demonstrate leadership in environmental, social and corporate governance (EGX).

This index consists of 30 corporation from the 100 largest Egyptian corporations by annual value traded, corporations undergo an annual inspection which is conducted by EGX, and corporations go through three levels in this inspection which are: Quantitative Score, Qualitative Score, and Composite Score (Indices, 2021).

b- Financial Regulatory Authority:

In 2021, the chairman of the Financial Regulatory Authority issued a decision no. 107 for the year 2021 -after reviewing the laws of companies law no. 159 for the year 1981 for joint stock companies, limited liability companies, and solo partnership issued by law 159 for the year 1981 and the Law no. 10 for the year 2009 regulating supervision of non-banking financial markets and instruments- for requiring corporations engaged in non-banking financial activities to disclose environmental, social and governance practices in their annual report which is prepared by the board of directors and attached to the corporation's financial statements.

c- EGX model guidance for reporting on ESG performance:

The first version of this guidance was in November 2016-this year can actually be considered as the year of sustainability for EGX, where it joined the United Nations Global Compact (UNGC)(El Serafi) this guide was the first guide for disclosure of listed, and then it was updated in 2019 (EGX, 2019).

This guide will assistance listed corporations address topics related to environmental, social and governance (ESG) issues in their regular disclosure, as these aspects are among the factors that affect the investment decisions, also those factors are used in evaluating the transparency and disclosure of active corporations in reviewing and balancing EGX sustainability index by EGX(EGX, 2019).

d- The Egyptian Corporate Governance Code:

The second section came from the third chapter of the code (Material Information and Financial and Non-Financial Disclosure) explaining that corporations intend to disclose its non-financial information which is of interest to the existing and potential shareholders and investors such as internal information including the corporation's goals, vision, the nature of its activity, its plans, its future strategy (EIOD,2016).

According to the Egyptian governance code corporations, corporations should produce a balanced report on sustainability, focusing on the corporation's achievements in the economic, environmental, and social fields and this report should reflect the corporation's values, ethics, and principles, and it must clarify the

relationship between its strategies and its obligations to the community in which it operates (EIOD, 2016).

2.1.2: Internal audit:

2.1.2.1: Internal audit evolution:

Internal audit not a modern term, it comes from the Latin word *audire*, which refer to listen and inform others, but about the audit had been talking since the time of Assyrians, Egyptians, from the reign of Charles the Great or Edward I of England (Daniela, 2010).

Internal audit has gone through 3 stages of development, the researcher can summarize those stages through the following table (العبادي، ١٩٩٩)(IIA, 2003)(IIA, 2017a)(IIA, 2022):

First stage (Financial audit stage): it is the traditional concept of internal audit, whose role is limited to the evaluation of financial operations, protecting the assets of the corporation, and examine and evaluate the internal control system. Therefore, the responsibilities of the internal audit during this stage were very limited, and its position in the organizational structure of the corporation was as subordinate employment.

Second stage (Operations stage): The IIA defined it in (The Statement of Responsibilities) as “an independent appraisal activity established within a corporation as a service to the organization. And it is a control which functions by examining and evaluating the adequacy and effectiveness of other controls. The objective of internal auditing is to assist members of the corporation in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed. The audit objective includes promoting effective control at reasonable cost.”

Third stage (Value added approach): The IIA developed the definition of internal audit until it reached the last definition, which defined it as “an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”. And the mission of internal audit became enhancing and protecting corporation value by providing risk-based and objective assurance, advice, and insight.

From the previous it is clear that internal audit concept has been dramatically shifted from assets safeguarding and compliance assurance to value-added activity,

as its role and scope increased, which will be reversed on increasing the value added to the corporation and its stakeholders through providing assurance and consulting services in the fields of internal control, risk management, and corporate governance, which helps the corporation to realize its goals (Mihret and Grant, 2017).

2.1.2.2: Internal auditor modern role:

The standard 2100 –Nature of work- clarified that the internal audit activity adds value to the corporation and to the various stakeholders by providing appropriate objective assurance, and by contributing to improving the efficiency and effectiveness of control, governance, and risk management processes (IIA, 2017).

The researcher is going to illustrate the modern role of internal audit regarding the 3 fields control, corporate governance, and risk management generally and regarding sustainability specially.

▪ The role of internal auditor in internal control:

The audit standard No. 2130 –Control- stated that the internal audit activity must assist the corporation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. And the standard demonstrated that the assurance role for internal audit and it must evaluate the adequacy and effectiveness of controls in responding to risks within the organization's governance, operations, and information systems regarding the (IIA, 2017):

- Achievement of the corporation's strategic objectives.
- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations and programs.
- Safeguarding of assets.
- Compliance with laws, regulations, policies, procedures, and contracts.

While the consulting role the internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the corporation's control processes (IIA, 2017).

Regarding to the auditing standard No. (610)-Using the work of internal auditors- where management is responsible for setting up an appropriate control system and internal audit is usually assigned with specific responsibilities in examining the procedures, following up on their operation and making recommendations for improvement (ISA, 2013).

While internal auditor role in control of corporate sustainability activities is that internal auditor plays an important role in environmental departments of the

government institutions. As corporations must protect and improve the environment by removing and remedying the existing damages or the damages which occur as well as maintaining public health, natural resources, biological diversity and cultural and natural heritage, and all of this can be achieved through internal auditor, as he/she collects data and compares it to ensure that the resources were used properly, and also develops plans and follows up to ensure that the objectives that should be reached by units, sections, and divisions are met (Kareem and et.al., 2019).

Another study confirmed that the internal audit is one of the general factors that add value and make such corporations sustainable, corporate sustainability necessitated the designation of sustainable management systems. The advantage of the relevant management system is that the system is an auditable structure. Internal audit is responsible for providing consulting services in this field with the senior management and must follow up the entire process related to sustainability in the corporation (Senal and et.al., 2012).

Other study focuses on the assurance role in control as it addressed that internal audit has a fundamental role in providing assurance about the integration of corporate social responsibility and the synchronization with other systems (Dineva, 2019) it can provide assurance about their performance, credibility, accountability, and efficiency. Also, an internal audit should assess the strategic control, the corporate social responsibility control system and its capacity to support the strategy.

▪ *The role of internal auditor in corporate governance:*

Corporate governance is the system of rules, practices, and processes by which corporations are directed and controlled (Chen, 2022). It is a main factor in achieving efficiency, economic growth and having a positive impact on investors' confidence which is reflected on their decisions related to current investors, on the one hand, and potential investors on the other (Castrillón and Alfonso, 2021).

The internal audit activity is one of the important mechanisms for activating corporate governance, and this role has evolved over time and now, till it become such the backbone of corporate governance, and those roles includes risk assessment and assurance on the commitment and effectiveness of the internal control structure, which are considered a key activator of corporate governance (Essedik and Kouider, 2017)(Tripathi, 2019).

Internal auditor role according to the IIA standards, standard No. 2110 (Governance) (IIA, 2017), internal audit activity must assess and make appropriate recommendations to improve the corporation's governance processes for:

- ☐ Making strategic and operational decisions.
- ☐ Overseeing risk management and control.
- ☐ Promoting appropriate ethics and values within the corporation.
- ☐ Ensuring effective organizational performance management and accountability.
- ☐ Communicating risk and control information to appropriate areas of the corporation.
- ☐ Coordinating the activities of, and communicating information among, the board, external and internal auditors, other assurance providers, and management.

According to the Egyptian code for corporate governance (EIOD, 2016) that was issued by the Egyptian institute of directors in 2016, internal audit must ensure that corporate governance rules is applied integrity for all departments and the executive, financial and legal activities.

In the context of sustainable development, governance is considered as an essential and indispensable steering mechanism (Glass and Newig, 2019).

Considering internal auditor's knowledge of the corporation procedures and processes, he/she has the knowledge and experience to advise the corporate on various topics related to sustainability especially the environmental issues, he/she can evaluate the level of compliance of the corporation by examining all sustainable development legal requirements, corporation policies, creating codes of conduct, policies and procedures which will be up to the stakeholders' expectations and which will guarantee that the corporation's values are respected and strengthened, also, developing clear and coherent communications channels to ensure optimal employee engagement (Puci and Guxholli, 2018).

In advanced foreign corporations, corporations pin great importance to internal audit to manage it better, as they see that corporation's sustainable development is inseparable from internal audit. Internal audit plays a facilitating role in corporate governance structure, and they summarized these roles into two aspects (Zou, 2019): (a) promote effective corporate governance under the modern corporation system. Internal audit has found a way to solve some problems such as lack of understanding of the corporation's operations and management attaches importance to operational risks may ignore internal regulatory risks and through independent and objective review, it can evaluate the corporation's operating conditions and effectively supervise the corporation's resources, (b) Internal audit can effectively supervise the operation of the corporation without being bound, and truly reflect the problems of

the corporation, thus helping the corporation to improve operational efficiency and promote the growth of economic interests.

And one of the studies showed that the internal auditor plays an important role in the activities of sustainability governance, by supporting the corporation in defining its strategy to achieve its specific goals, integrating the life cycle of the products and services with the corporation's sustainability goals, aligning measurable sustainability objectives with corporate strategy, considering financial, operational and regulatory performance measures, verifying corporation's data against social and environmental benchmarks in line with market standards (Puci and Guxholli, 2018). And he/she can also design and implement effective frameworks and approaches which aim at engaging employees in the sustainability strategy and outline risks and opportunities for employees and other stakeholders to comprehend and support the sustainability strategy.

▪ *The role of internal auditor in risk management:*

Internal audit has an effective role in risk management, as it delivers advice to both executive management and risk management and there is also coordination between internal audit and risk management while maintaining their independence, risk management uses internal audit management in its different work phases has its experience in risk assessment and identification, as well as the internal auditor, uses risk management in many processes related to its performance (Tamimi, 2021).

Emphasizing the importance of the role of the internal audit in risk management, the institute of internal auditors research foundation came and set some rules for internal auditor, which can be divided into three sections (IIARF, 2011), which can be clarified through the following figure(Bhana,2015):



Figure(1): Internal auditor rules for risk management

The internal audit standard No. 2120 – Risk Management- stated that internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes, and it also stated that internal audit should provide objective assurance to top management that the main risks that faced the corporation have been managed appropriately and that internal control system works effectively, also internal auditor provides assurances to the board of directors that the management determines and manages risks and that control procedures limit those risks, and he/she is responsible for verifying the recommendations made regarding risk management that it is good (Tamimi, 2021). Internal auditor also provide consulting services by addressing risk consistent with the engagement's objectives and be alert to the existence of other significant risks and incorporate knowledge of risks gained from consulting engagements into their evaluation of the organization's risk management processes and while assisting management in establishing or improving risk management processes, he/she must refrain from assuming any management responsibility by actually managing risks (IIA, 2013).

The new function of internal audit is to identify and understand the risks and opportunities that the sustainability process creates as well as determine how these opportunities and risks affect the corporation (Senal and et.al., 2012).

Internal auditors give assurance on risk management processes, also he/she gives assurance that risks are correctly evaluated (Zwaan and et.al., 2011).

In addition, internal audit role in consulting and assurance services involves an objective examination of evidence to provide an independent assessment of risk management, while consulting services and related client service activities are advisory in nature and are intended to add value and improve corporation's risk management, but without internal audit compromising its independence by assuming management responsibility (Ackers, 2016).

Another study refers to the advisory role of the internal auditor in the field of risk management of environmental aspects of sustainability which includes evaluating the appropriateness of accounting methods for the obligations and environmental and social costs and the extent disclosed properly, and to maintain and develop a risk management framework, and imparted confidence on risk management systems for the corporation's activities (Shehata, 2014).

More specifically, the IIA proposed that internal audit's role in managing sustainability risk relates to the social dimension through (IIA, 2010):

- **Auditing:** Providing independent assurance about the adequacy of social responsibility and he/she can choose to evaluate social responsibility

programs as a whole and determine whether the corporation has adequate controls to achieve its objectives.

- **Facilitating:** helping management self-assessment of social responsibility controls based on a risk assessment.
- **Consulting:** The internal audit activity may consult on project design and implementation for social responsibility programs and reports or give some advice on social responsibility risk management.

2.1.3: Internal auditor role in applying corporate sustainability:

Under current business circumstances, corporate sustainability has been addressed as a competitive advantage with a broader perspective of profitability, encompassing social and environmental and economical results (Sroufe, 2017), which necessitated the designation of sustainable management systems, such practices help corporations to prevent their risks, identify opportunities, and build a sustainability profile (Silva and et.al., 2020).

Internal auditor plays an important role in such strategy a role from the beginning of implementing the system and then auditing it is responsible for providing services in this field with the senior management and must follow up the entire process related to sustainability in the organization.

Sustainable management process is consisted of five stages and internal audit has role in each stage, these stages are (Nieuwlands and et.al, 2007):

- Determination of sustainable policies and strategies.
- Information risk management and planning.
- Improvement and application.
- Control and correction.
- Management review and continuous improvement.

2.2 Relationship between internal auditor and stakeholders' decisions:

2.2.1: stakeholders' classifications:

For any corporation, defining its stakeholders is an essential step. And it needs to be an attentive choice, not just something that happens over time, many board of corporation's directors drive blithely forward without giving real to them thought to who any of their efforts are meant to benefit. But here we must define *internal audit stakeholders*.

Miles (2012) and Miles (2017) - due to the popularity of Freeman's (1984) conceptualization-, stakeholder theory implies that apart from the traditional shareholders of corporations, other parties are involved: any group or individual who can affect or is affected by the achievement of corporation objectives.

There are several classifications to stakeholders, in 1995 Clarkson classified stakeholders to primarily stakeholders and secondary stakeholders (Benn and et.al., 2016).

As well, it can be classified as internal and external stakeholders (Asalu, 2018), another classification was addressed by the IIA (2019) but this time the classification was regarding internal audit stakeholders which are the board, customers (internal), employees, competitors, regulators, customers(external), family and community.

2.2.2: Internal audit and stakeholders:

(Ioannou and Serafeim, 2015)(Zicari, 2014) approved that continuity of any corporation depends on its way in managing the relation with its stakeholders as this is reflected on their perceptions and affects the assessment of the corporation.

Now a days stakeholders' need to have more credibility and worth information, and it is in the interest of corporations to satisfy what stakeholders require as they provide capital (Genoud and Viguau, 2017).

The IIA's study showed the value of internal auditor for stakeholders and summarized it into three points which are assurance, insight, and objectivity where,

- ☐ Assurance = governance, risk, and control.
- ☐ Insight = catalyst, analyses, and assessments.
- ☐ Objectivity = integrity, accountability, and independence.

And according to Zou (2019) and Attaf and Bensbahou (2022) studies, they recognized that internal audit can not only maintain the balance between shareholders and each other's, but it also assistances the correct disclosure of financial accounting information, protect the legitimate interests of stakeholders, provides critical assurance, and help the management and scientific decision making of enterprises have a positive effect on the improvement of corporate value.

And regarding the role of internal auditor for internal and external stakeholders the researcher clarifies the role of him/her regarding the management, audit committee, external auditors, and investors- which the auditor will illustrate in more details-

2.2.2.1: internal auditor and management:

Internal auditor plays an important role for senior management as he/she provides assurance to management over the effectiveness of risk management processes, evaluation of internal controls, and operational processes (Abbott et al., 2010; Gramling et al., 20 and also supports management by offering consulting services to facilitate the improvement of controls, processes and operations, (Arena and Azzone, 2009; Bailey and et.al., 2003).

And according to IIA (2016) stander no.2060 -Reporting to senior management and the board- internal auditor must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the Standards. And such a report must include significant risk and control issues, including fraud risks, governance concerns, and other matters that need the attention of senior management and/or the board.

While internal auditor role regarding the board of directors, now a days board members confronted increasingly complex challenges in overseeing corporation's risk management, including such as demands for greater accountability from investors, increasingly complex regulatory oversight, sluggish economic growth, the convergence of industries, and many others risks (Sharma, 2015). So, as well as their responsibility for assessing and recommending internal controls, internal auditors' skills in risk management and their broad-based perspective of the corporation uniquely position them as a valuable resource for strong corporate governance (IIA).

And regarding the three line defense model management is responsible for the first two lines but the third internal auditor is accountable for it, as he/she audit governance process and procedures, validate the monitoring being performed by second-line functions and evaluating incentive metrics put in place across the corporations (IIA,2020; COSO, 2015).

2.2.2.2: internal auditor and audit committee:

According to the IIA the audit committee and the internal auditors are interdependent and should be mutually accessible, with the internal auditors providing objective opinions, information, support, and education to the audit committee and the audit committee providing validation and oversight to the internal auditors (Tušek and Pokrovac, 2012). As audit committees rely on the internal audit as a primary resource to execute their duties and meet their governance mandate

(Abbott et al., 2010)(Treadway commission, 1987). So, an effective internal audit can be a vital resource to the audit committee in discharging its duties, and thus, enhancing the effectiveness of the audit committee.

Internal auditor provides assurance to the audit committee over areas including compliance, financial reporting integrity and internal control, and provides investigations of fraud (Cohen and et.al., 2004)(Abbott et al., 2010) also it can develop an accountability relationship between the audit committee and management helping to reduce information asymmetry (Gendron and Bédard, 2006) resulting from the audit committee's separation from corporations operations.

2.2.2.3: internal auditor and external auditor:

External auditor as a main part of external stakeholders of the internal audit, there should be an ensure appropriate and regular communication and sharing of information between them as a constructive relationship on this basis can be of benefit to the any corporation they serve (IIA, 2020).

External auditors use the work of the internal audit in planning and obtaining evidence that can modify the nature, timing, and extent of audit procedures. According to external audit standards, the external auditor can use the work of the internal auditor in two ways even through using the work of the internal audit function in obtaining audit evidence or using internal auditors to provide direct assistance under the direction, supervision, and review of them (AICPA, 2021). Depending on the internal audit affects both the efficiency and effectiveness of the external audit. Audit efficiency can be affected and improved as external audit work can be reduced as his/her will need lower substantive testing (Abbott and et.al., 2012), for example, while audit effectiveness can be improved as internal audit work can provide higher levels of assurance over the integrity of financial statements and that may be through for example improving the detection and reduction risk by increasing audit coverage.

So, internal auditor role with external auditor is a primary function is to provide an opinion on whether the accounts show a true and fair view of the financial statements, beyond these basic functions external auditor provides no deeper benefit to the corporation, therefore internal audit is as the main safeguard for any corporation.

2.2.2.4: internal auditor and external stakeholders -investors as example:-

The information-seeking theory provides a basis for predicting that internal audit will increase investor perceptions of oversight effectiveness and confidence in financial reporting reliability, even in an environment where numerous other

(descriptive and opinion-based) governance reports are available (Holt and Dezoort, 2009).

Investment is the process of purchasing assets from available resources, with the goal of reaping greater future benefits (Ahmad and Shah, 2020). While investment decisions mean choosing the best way to achieve the goal of obtaining future returns with limited financial resources. (Musfidah and et.al., 2022).

Since, financial reporting quality motivates the economic decisions of stakeholders and attracts specially investors to the corporation, internal audit plays an important role in financial reporting quality as proxied by relevance and faithful representation of financial information of his/her corporation (Nwaobia and et.al., 2022) and it will also help in the attainment of corporate objectives and improves the legitimacy of financial reporting (Gamayuni, 2018).

In the same context (Kadhim, 2019) studied how the role of internal audit and control system have an effect on the financial performance quality and he found that both the internal audit and the internal control system have a significant positive effect on the prevention of accounting fraud, which means, that the better the internal audit function and internal control system the better will be ability of corporations to prevent accounting fraud and therefore the more faithfully represented the financial report will be, which will be reflected on investors.

Also, Shazly and et.al. (2022) study aimed to investigate the effect of corporate governance and audit quality on investment decisions, and it confirmed corporate governance affect investment decision which means investors will depend on the corporate governance when they make their investment decision, and as the internal audit is one of the important pillars of corporate governance that's means it will have a positive impact on the investment decisions.

And another impact of the internal audit role that have an effect on stakeholders specially investors and many studies (Mert, 2021)(Ege, 2015)(Boyle, 2015)(Holt, 2012)(Holt and Dezoort, 2009)(Archmbeault and et.al., 2008) confirmed it is disclosing internal audit report as internal audit's prominence as a critical governance mechanism as disclosing such work will reduce the problem of that there is information about internal audit available for internal users and not available for external ones.

External disclosure of internal audit report is that internal audit department publishes a sperate report which is differ from the one published to the internal users, so it will be a descriptive report that includes information about internal control structure and its efficiency, the efficiency of risk management, and about corporate governance, therefore this report reflects the expanded role of internal

audit which will rationalize stakeholders decisions especially investment decisions (shenan, 2020).

In such matter there are two opinions regarding disclosing the internal audit report to external stakeholders: first opinion: that there is a need for disclosing internal audit report externally, while the second opinion: that there is no need for such disclosure, and those who hold this opinion are based on that such report - internal audit report- is not important for external users and it will hold more costs on the corporation for doing it.

3. Literature Review and Hypotheses Development:

In 2010 Price Waterhouse Coopers (PWC) published two studies regarding internal audit the first one (PWC, 2010a) aimed to develop a scenario for developing the performance of internal audit activity and increase its value added to the corporations and its stakeholders, while the other (PWC, 2010b) aimed to explore the most important areas and issues that should be focused by internal audit in the coming years. And both studies concluded that internal audit should expand the provision of assurance and consulting services in several areas, including the strategic performance, financial and operational performance, governance and risk management, environmental and social performance, with the need to focus on the causes of value creation in the corporations for all stakeholder not only management or shareholders.

And the study of (Shahimi, S., and et.al., 2016) discussed the added value that corporations can gain from the internal auditors from their consulting role. as in the current complexity and constantly changing business issues, leveraging on the wealth of collective information about the corporation obtained by internal auditors in order to add value and improve corporation competitiveness would be a good strategy. The study conducted that internal auditor provided consultation upon the request of management, board of directors or audit committee, on ad-hoc basis to help improve business operations and to achieve organizational objectives which will be reflected on the corporations positively. And the study showed that although such consulting activities have been duly carried out in the corporations to help improve the control system or business operations, no issues were perceived by the CAEs in respect of maintaining the independence of internal audit and/or the objectivity of individual internal auditors as long as they were aware and followed certain basic principles.

While (Taran and et.al., 2020) studied the development of internal audit in Russia and shows the importance of internal audit in the economic activities of corporations and defines the stages of formation and development of the internal audit system in Russia. It is shown that the processes of formation and development

of internal audit have led to the fact that in modern economic reality, the priority task of internal audit is to identify and implement the internal reserves of the financial and economic activities of the corporations, through the development of auditor recommendations and monitoring the implementation of the developed recommendations.

While regarding the studies that dealt with relation between internal auditor role and corporate sustainability the study of (Soh and Bennie ,2015) objective was to ascertain the nature of internal audit roles, missions and functions in the field of control, governance and risk management of social and environmental matters in Australia. Especially, that there is a request by some international entities (GRI, UNEP, EC) for the services and roles of the internal auditor in these areas. And the study found that there is a gap in internal audit expectations, especially in the field of social and environmental activities, and that there is a growing demand for assurance and consulting services in the environmental matters such as emissions percentage. The study also confirmed that there is increasing demand for assurance and consulting role related to occupational safety and health issues, Supply chain, product responsibility and other things.

The study of (Soh and Bennie ,2015) examined the impact of governance factors, internal audit function characteristics, and corporation sustainability practices on the extent of internal audit's involvement in environmental and social assurance and consulting, Despite evidence of internal audit's expanding role in sustainability matters is limited understanding of factors associated with the extent of internal audit's involvement in these areas, the results suggested that management support and external reporting of sustainability are key factors associated with internal audit's involvement in environmental and social assurance and consulting activities and also it indicated that the extent of internal audit involvement in assurance and consulting are not necessarily driven by a homogeneous set of factors.

In the same vein (Eulerich and et.al., 2022) study provided empirical evidence about internal auditor's role in environmental, social, and governance (ESG) disclosure and assurance. And the results give evidence for corporations and internal audit functions ESG maturity being associated with ESG reporting, while internal audit functions involvement in ESG shows a significant association with assurance of ESG reports.

(Ashfaq and et.al., 2021) study aimed to explore the effectiveness and reliability of the performance of internal auditor by the stakeholders for their decision making and how the absence of rules and regulations generates the debate that the non-standard reporting of the assessment of the internal controls system's assessment by internal auditor and reliance by the external auditor. And the findings of the study

referred that explores the positive relationship between Objectivity of IAF, work performance, competence, sourcing of internal audit on effectiveness and reliance, and that internal control system's assessment having significant relation with effectiveness.

While the role of internal auditor regarding the stakeholders -especially investors decisions- Bhyrav (2016) indicated that internal audit doesn't assure any commercial success, but effective internal audit in any corporation assures good governance as it provides assurance to the board of directors, the audit committee, and the chief executive officer, and stakeholders that the corporations is governed effectively by providing independent, unbiased assessment of the operations of the organization, providing management with information on the effectiveness of risk management, control and governance processes, acting as a catalyst for improvement in risk management, control and governance processes, informing management what it needs to know, when it needs to know it, as when making investment, apart from corporation growth, industry risk, management capabilities, insight into the corporation's risk mitigation, governance and ethical culture etch will always bring value advantage to investment decisions. While the study of (Attaf and Bensbahou, 2022) aimed to identify the role of internal audit as one of the governance mechanisms in support of competitive advantage, through its role in improving processes (governance, risk management, internal control) as corporations looks up to search for ways and methods that make the their operations more efficient and effective in order to ensure the rights of stakeholders, win customer satisfaction, attract more customers in the long run, and make the corporation's products more competitive. And According to the results of the study, the study addressed that there is a statistically significant effect of internal audit governance in supporting the competitive advantage of corporations by improving the processes (governance, risk management, and internal control) and the resulting (cost reduction, time reduction, and increased efficiency) and thus support competitive advantage.

And there is another study that deal with the effect of internal auditors on stakeholder's decisions from another point of view which is disclosing the internal audit report. In the need for an internal auditor report to external stakeholders to improve governance transparency, the study of (Archambeault and et.al., 2008) was the first study investigating the need for increased internal audit transparency.

In the same vein (Holt, 2019) study explained how internal audit report disclosure benefits have, as the investors have mandated disclosures that help them in assessing the quality of the traditional corporate governance parties, examples of these required disclosures include management's discussion and analysis (MD&A), audit committee reports, and external audit opinions. Investors, however, typically are only able to obtain information related to a corporation's internal audit through voluntary corporate

disclosures. And the study resulted that increased transparency of effective internal audit functions has the potential to increase investor perceptions of financial reporting credibility, also it suggests that disclosing the results of internal audit's compliance and audit results may be viewed favorably by external stakeholders. Combined with the advantages of such disclosure the study additionally gives an attention to that as with any disclosures, proper care should be taken to carefully assess any potential cost concerns, such as increased legal liability related to voluntary disclosures. But overall, the study suggests that increased internal audit reporting provides a fruitful avenue for consideration of increased disclosures.

In the same context the study of (Mert, 2021) documented the direct relation between the internal auditing reports that are revealed to the investors with facts of fraud in a corporation and investor confidence for investing in such corporations, as well as it evaluates the effectiveness of the internal audit process in the eyes of the managers, experts, and assistants of investment fund organizations. Since each interest group has different expectations from a corporation, its tools to evaluate the corporation can be different. Sometimes, a report can be an essential document for one interest group, but for another interest group, it can occupy a secondary position, this conclusion justifies that the experience of internal auditors, the objectivity of the internal auditing process, and the independence of internal auditors are appreciated by the investment decisionmakers.

In light of the findings provided in the previous literature, the following hypotheses are suggested:

- H1: There is a statistically significant relationship between the role of internal auditor and corporate sustainability.
- H2: There is a statistically significant relationship between the role of the internal auditor and stakeholder's decisions.

And from this hypothesis, two other sub-hypotheses are derived:

- There is a statistically significant relationship between the role of the internal auditor and the market value of the corporation.
- There is a statistically significant relationship between the role of the internal auditor and corporation's financial performance.

4. Research Methodology:

4.1 Research method:

In the applied study, the researcher depends on the corporation's annual financial reports, with a focus on the footnotes and disclosure paragraphs on internal audit and sustainability, non-financial reports such as social responsibility reports,

sustainability reports, and governance reports, and the available information either on the corporation website, or on the Egyptian Stock Exchange website as well as the available information on websites that are interested in financial analyzes of registered corporations.

4.2 Descriptive analysis for the study variables:

4.2.1: Descriptive analysis for the internal auditor role variable.

The following table shows the descriptive statistics of the role of internal auditor over the years of the study as follows:

Details	Abbreviation	Year	Mean	Standard deviation	Max.
The role of internal auditor (over the study years)	IAR2018	2018	.3494	.17926	.70
	IAR2019	2019	.3864	.18662	.78
	IAR2020	2020	.4275	.19128	.80
Average	IAR	18-20	.3878	.18306	.76

From the previous table it is clear to the researcher that the internal auditor plays his/her role with a general average of (0.387) by (38.7%) and that according to the indicator developed by the researcher to measure the internal auditor role, and that the year 2020 is the largest year of study in terms of the effectiveness of the role of the internal auditor, as the average effectiveness of the role of the internal auditor for the years of study was (.34), (.38), (.42), respectively.

4.2.2: Descriptive analysis for corporate sustainability variable.

The following table shows the descriptive statistics of the corporate sustainability variable over the years of the study as follows:

Details	Year		Mean	Standard deviation	Max.	Min.	Variance
corporate sustainability (over the study years)	2018	No. of items	14.9	4.44128	24.00	5.00	19.725
		Disclosure percentage	.5970	.17765	.96	.20	.032
	2019	No. of items	15.9	4.41703	24.00	5.00	19.510
		Disclosure percentage	.6362	.17668	.96	.20	.031
	2020	No. of items	16.3	4.47546	25.00	6.00	20.030
		Disclosure percentage	.6528	.17902	1.00	.24	.032
Average	18-20	Disclosure percentage	.6287	.17423	.96	.21	.030

Based on the above table, the researcher notes that corporations sample disclose the sustainability practices with a general average (0.6287) by (62.8%) and that according to the indicator developed by the researcher to measure corporate sustainability which consists of (25) item, The year 2020 is considered the highest year for disclosure of sustainability by the corporations sample, as the average disclosure of corporate sustainability increased from (2018) to (2020) by (59.70%), (63.62%) and (65.28%) for the three years respectively. The researcher believes that the increase in the corporation's sample disclosure about the sustainability of corporations over the years of the study from 2018 to 2020 is in line with the increased interest in the effectiveness of the internal audit department.

The researcher studied the extent to which the difference between the different sectors that comprise the corporations sample, through the analysis of variance (ANOVA) test for corporate sustainability variable to measure the variance between several independent samples, as shown in the following table:

Sector □	No. of corporations□	Corporate sustainability among sectors □				ANOVA significant test□
		Average□	Stander deviation□	Max. □	Min.□	
Real Estate	13	.6318	.14803	.89	.40	0.218
Contracting, engineering construction and building materials	7	.4838	.20129	.76	.21	
Food and beverage	5	.7147	.11100	.81	.53	
Energy and support services	2	.5467	.03771	.57	.52	
Textile,Garment,durable goods	4	.6667	.04489	.72	.61	
Basic resources	8	.6317	.17902	.92	.43	
Communications, electronics and media	3	.5067	.21949	.76	.37	
pharma and health care	4	.7433	.08318	.85	.67	
Trade and distributors	2	.7467	.26399	.93	.56	
Transportation, shipping services	3	.7556	.32009	.96	.39	
industrial products and automotive	2	.5400	.08485	.60	.48	
Total	53	.6287	.17423	.96	.21	

The previous table shows that:

□ The sectors with the highest disclosures of sustainability practices are the transportation, shipping services sector, with an average of (.7556), while the sectors with the least disclosures of sustainability practices were the contracting, engineering construction and building materials sector with an average of (.4838).

□ The level of significance of the (ANOVA Test) was 0.218, which is higher than (0.05), and this indicates that there are significant differences between the sectors constituting the sample in their disclosure of sustainability.

4.2.3: Descriptive analysis for stakeholder's decisions variable

The following table shows the descriptive statistics of the stakeholder decisions variable, which was measured in terms of the corporation market performance based on the (Tobin's Q) ratio, and the corporation financial performance based on the rates return on assets (ROA) and return on equity (ROE), considering that the financial and market performance affects the decisions of stakeholders, as follows:

Details		Abbreviation	Year	mean	Stander deviation	Variance	Max.	Min.
Corporation market performance (over the study years)		Tobin's Q 2018	2018	2.4727	3.82026	14.594	25.81	.15
		Tobin's Q 2019	2019	1.9851	2.40691	5.793	15.06	.23
		Tobin's Q 2020	2020	1.7224	1.56710	2.456	9.87	.54
Average		Tobin's Q	18-20	2.0600	2.07499	4.306	11.20	.41
Corporation financial performance (over thr study years)	ROA	ROA 2018	2018	.10758	.092683	.009	.365	-.040-
		ROA 2019	2019	.15153	.486915	.237	3.590	.005
		ROA 2020	2020	.05262	.093293	.009	.324	-.169-
		ROA	18-20	.1051	.19405	.038	1.39	.00
	ROE	ROE 2018	2018	.2222	.18927	.036	1.08	.01
		ROE 2019	2019	.9391	5.09042	25.912	37.09	.01
		ROE 2020	2020	-.5801-	5.41807	29.355	4.02	-39.07-
		ROE	18-20	.21155	.303587	.092	1.566	.012
	FP	2018	2018	.1675	.13328	.018	.72	.01
		2019	2019	.5453	2.57559	6.634	18.57	.01
		2020	2020	-.2637-	2.71884	7.392	2.17	-19.56-
		FP	18-20	.1533	.23449	.055	1.48	.00

From the above, it becomes clear to the researcher the following results:

- There is a decrease in the average (Tobin's Q) ratio over the years of study, which reached (2.4727) in 2018, and decreased in 2019 to (1.9851), and continued to decline until the average (Tobin's Q) percentage in 2020 became (1.7224), which is the lowest in the years of study, and at the general level for the study period, the general level of the average (Tobin's Q) ratio for the sample reached (2.0600).

- There is a discrepancy in the rates expressing the corporation's financial performance (ROE/ROA) over the years of study, as the financial performance of the corporations sample improved from (2018) to (2019) and then decreased in (2020), where the financial performance rates (total / ROE / ROA) in

(2018) reached (.10758), (.222), (.1675), respectively, and the these rates increased in 2019 and reached (.15153), (. 9391), (.5453), then the financial performance rates decreased (total / ROE / ROA) in the year (2020), reaching (.05262), (-.5801), (-.2637), respectively, which is the lowest in the years of study. And over all the general level of the financial performance of the sample (ROE/ROA) reached (.1533) over the years of the study.

4.2.4: Descriptive analysis for the control variables.

Details	Abbreviation	Year	Mean	Stander deviation	Max.	Min.
Firm size	FSIZE18	2018	21.7210	1.45949	25.29	18.19
	FSIZE19	2019	21.7824	1.44576	25.37	18.45
	FSIZE20	2020	21.8169	1.44391	25.49	19.36
Average	FSIZE	2018 - 2020	21.7975	1.43208	25.39	18.80
Goverance quality	CGQ18	2018	.8491	.16673	1.00	.43
	CGQ19	2019	.8787	.14119	1.00	.57
	CGQ20	2020	.8922	.12500	1.00	.71
Average	CGQ	2018 - 2020	.8733	.14038	1.00	.57
Indsity type	IT	2020	▪ Not an industrial sector or activities related to the environment = 23 (43.4%) ▪ Industrial sector or activities related to the environment = 30 (56.6%)			
Audit partnership size	AQ	2020	▪ BIG4 = 13 (24.5%) ▪ NON BIG4 = 40 (75.5%)			
Implemion of IFRS and it's adjustment	IFRS	2018 - 2020	▪ IFRS Disclosure = 13 (24.5%) ▪ NO IFRS Disclosure = 40 (75.5%)			

Based on the last table, it becomes clear to the researcher the following results:

- The natural logarithm average of total assets of the sample reached (21.79), and the results confirmed that there is an increase in the size of corporations from 2018 to 2020, as it became (21.72), (21.78), (21.81) respectively.
- The average commitment to the rules and mechanisms of governance was (0.873) with (87.3%), which is a good percentage, and the results confirm that there is an increase in the corporation' commitment to the rules of governance from 2018 to 2020.
- The number of corporations whose activity is related to the industrial and environmental sectors reached (30) corporation out of the corporations' sample which represent (56.6%), this percentage represent the type of activity related to industrial and environmental activities, while the rest of the percentage constituted various activities and sectors.
- The number of corporations committed to auditing at one of the major auditing partnerships or one of the partnerships associated with them reached (13) corporation out of the corporations' sample which represent (24.5%) and this

percent represent the size and quality of the audit partnership for the corporation' sample.

- The number of sample corporations that disclose their commitment to the amendments of the International Financial Reporting Standards (IFRS) reached (13) corporation, and this indicates the quality of the reports and financial statements, which is reflected on the decisions of stakeholders.

4.3 Regression results analysis:

4.3.1: *Regression analysis for the first hypothesis:* To measure the impact internal auditor role on the corporate sustainability, the researcher used a simple regression model, and the following table presents the results of the regression analysis, as follows:

Dependent variable		corporate sustainability (CS)					
		Basic analysis (without control variables)			Additional analysis (with control variables)		
Independent variable		B Coefficient	T value	Sig.	B Coefficient	T value	Sig.
Constant	constant	0.342	9.523	*0.000	.397	1.632	.109
IAR	role of the internal auditor	0.740	8.826	*0.000	.690	7.870	*0.000
FSIZE	Firm size	---	---	---	-.003	-.284	.788
IT	Industry type	---	---	---	.055	1.681	**0.099
Model significant		Significant level of ANOVA analysis = 0.000			Significant level of ANOVA analysis = 0.000		
The explanatory value of the model		Determination coefficient R^2 = 0.604			Determination coefficient R^2 = 0.628		
Durbin-Watson value		---			D-W value = 1.834		

*significant at 0.01

**significant at 0.10

It is clear to the researcher from the above that the significant of the model used in the study (basic and additional analysis) increased and it is valid to achieve the study objective, as the significant level reached (0.000) through the variance analysis (ANOVA).

It is also clear to the researcher that there is a statistically significant positive impact of the internal auditor role on the corporate sustainability, where the regression coefficient sign (β) was Positive, and with a significant level less than (0.01), which supports the validity of the first hypothesis of the study.

The researcher performed an additional analysis by introducing the **controlling variables** into the relationship on which the basic analysis was based, and then the regression was re-analyzed to show the extent to which the relationship between the role of the internal auditor and corporate sustainability was affected. The results showed **a positive statistically significant effect role of the internal auditor on corporate sustainability** in the presence of the corporation's size and industry type as control variables affecting the dependent variable corporate sustainability, which **also supports the validity of the first hypothesis of the study.**

From the previous table the researcher concluded that, the value of the determination coefficient (R^2) for the basic analysis before the presenting the control variables is (0.604), which reflects that the explanatory value of the model is high, and that the existence of role of the internal auditor explains the change that occurs in the corporate sustainability by (60.4%)) and the rest of the ratio is due to other factors, and after the presenting the control variables in the regression model, the value of the determination coefficient (R^2) changed and became (0.628), and thus the independent variables grouped together explains (the presence of role of the internal auditor, the type of activity and the size of the corporation) the changes that occur in the corporate sustainability with (62.8%) and the rest is due to other factors and reasons).

And according to above the regression model for the impact of internal auditor role on corporate sustainability in the presence of control variables can be formulated as follows:

Equation No. (1): First hypothesis

$$CS = 0.397 - 0.690 (IAR) - 0.003 (FSIZE) + 0.055 (IT) + \epsilon_{it}$$

Where;

- (CS): Corporate sustainability. (The dependent variable).
- (β_0): The constant and expresses corporate sustainability which not affected by the independent variables.
- (β_1): the regression coefficient of the independent variable, which is role of the internal auditor.
- (β_2 - β_3): regression coefficients for control variables.
- (ϵ_{it}): the amount of random error.

After examining the results of the first hypothesis test (correlation analysis and regression analysis), **the researcher concluded that the first hypothesis is valid, that there is a statistically significant relationship between the role of internal auditor and corporate sustainability.**

4.3.1: Regression analysis for the second hypothesis. To measure the impact of internal auditor role on stakeholders' decisions, the researcher used a regression model to measure the internal auditor role on both the market and financial performance of the corporation, which have an impact on stakeholders' decisions, as follows:

- Regression analysis to test the impact of internal auditor role on stakeholder decisions related to *market* performance.

The following table shows the results of the regression analysis to test the impact of internal auditor role on stakeholder's decision that are related to corporation market performance as follows:

Dependent variable		Stakeholder's decisions (market performance)					
		Basic analysis)without control variables(Additional analysis)with control variables(
Independent variable		B Coefficient	T value	Sig.	B Coefficient	T value	Sig.
Constant	constant	-.395	-.700	.487	-1.760	- 1.418	.163
IAR	role of the internal auditor	6.330	4.808	.000*	4.510	3.932	.000*
IFRS	Implementing IFRS	---	---	---	7.797	5.465	.000*
CGQ	Corporate governance quality	---	---	---	2.187	1.483	.145
AQ	Audit partnership size	---	---	---	-7.743	- 5.247	.000*
Model significant		Significant level of ANOVA analysis = 0.000			Significant level of ANOVA analysis = 0.000		
The explanatory value of the model		Determination coefficient R²= 0.312			Determination coefficient R²=0.592		

*Significant at 0.01

It is clear to the researcher from the above that the significant of the model used in the study (basic and additional analysis) increased and it is valid to achieve the study objective, as the significant level reached (0.000) through the variance analysis (ANOVA).

And It is also clear that there is a positive and statistically significant impact of internal auditor role on the market performance, where the regression coefficient sign (β) was positive, and with a significant level less than (0.01), which

supports the validity of the first sub-hypothesis of the second hypothesis of the study.

The researcher performed an additional analysis by presenting the controlling variables in the relationship based on the basic analysis, and then the regression was re-analyzed to show the extent to which the relationship between the role of the internal auditor and the market performance was affected. And The results showed **the continuation positive impact with statistically significant of internal auditor role on the market performance** in the presence of the governance quality, the quality of the audit partnership, and the implication of IFRS as control variables that affect the dependent variable (the market value), which also supports the validity of the hypothesis.

Based on the previous table the value of the determination coefficient (R^2) for the basic analysis before the presenting the control variables is (0.312), which reflects that the explanatory value of the model is acceptable, and that the role of the internal auditor explains the change that occurs in the market performance of the corporation by (31.2%) and that the rest of the ratio is due to other factors, and after presenting the control variables into the regression model, the value of the **determination coefficient (R^2) improved and became (0.592)**, and thus the independent variables grouped together explains (internal auditor role, the quality of governance, the quality of the audit partnership and the implication of IFRS) the changes that occur in the market performance by (59.2%) and the rest of the percentage is due to other factors and reasons).

And according to above the regression model for the impact internal auditor role on the market performance in the presence of control variables can be formulated as follows:

Equation No. (2/A): second hypothesis

$$\text{Tobin's } Q = -1.760 + 4.510 (\text{IAR}) + 7.797 (\text{IFRS}) + 2.187 (\text{CGQ}) - 7.743 (\text{AQ}) + \varepsilon$$

The researcher concludes the validity of the first sub-hypothesis of the second hypothesis of the research that there is a statistically significant relationship between internal auditor role and the corporation market performance.

- Regression analysis to test the impact of internal auditor role on stakeholder decisions related to *financial performance*.

The following table shows the results of the regression analysis to test the impact of role of the internal auditor on stakeholder's decision that are related to corporation financial performance as follows:

Dependent variable		Stakeholder's decisions (financial performance)					
		Basic analysis (without control variables)			Additional analysis (with control variables)		
Independent variable		B Coefficient	T value	Sig.	B Coefficient	T value	Sig.
Constant	constant	.017	.235	.815	-.295	-1.461	.151
IAR	role of the internal auditor	.351	2.032	.047	.240	1.288	.042
IFRS	Implementing IFRS	---	---	---	-.193	-.832	.410
CGQ	Corporate governance quality	---	---	---	.426	1.776	.082
AQ	Audit partnership size	---	---	---	.138	.575	.568
Model significant		Significant level of ANOVA analysis = 0.047			Significant level of ANOVA analysis = 0.005		
The explanatory value of the model		Determination coefficient R^2 = 0.075			Determination coefficient R^2 = 0.154		

*Significant at 0.01

It is clear to the researcher from the above there is a positive and statistically significant impact of the internal auditor role on the financial performance, where the regression coefficient sign (β) was positive, and with a significant level less than (0.01), which supports the validity of the second sub-hypothesis of the second hypothesis of the study.

The researcher performed an additional analysis by presenting the controlling variables in the relationship based on the basic analysis, and then the regression was re-analyzed to show the extent to which the relationship between the role of the internal auditor and the financial performance was affected. And The results showed the continuation positive impact with statistically significant of role of the internal auditor on the financial performance in the presence of the governance quality, the quality of the audit partnership, and the implication of IFRS as control variables that affect the dependent variable, which also supports the validity of the hypothesis.

And based on the previous table the value of the determination coefficient (R^2) for the basic analysis before the presenting the control variables is (0.075), which reflects that the explanatory value of the model is acceptable, and that the role of the internal auditor explains the change that occurs in the financial performance of the corporation by (7.5%) and that the rest of the ratio is due to other factors, and after presenting the control variables into the regression model, the value of the determination coefficient (R^2) improved and became (0.154), and thus the independent variables grouped together explains (the role of the internal auditor, the

quality of governance, the quality of the audit partnership and the implication of IFRS) the changes that occur in the financial performance by (15.4%) and the rest of the percentage is due to other factors and reasons).

And according to above the regression model for the impact of role of the internal auditor on the financial performance in the presence of control variables can be formulated as follows:

Equation No. (2/B): second hypothesis

$$FP = -0.295 + 0.240 (IAR) - 0.193 (IFRS) + 0.426 (CGQ) + 0.138 (AQ) + \epsilon it$$

The researcher concludes the validity of the second sub-hypothesis of the second hypothesis of the research that there is a statistically significant relationship between the role of the internal auditor and the corporation's financial performance.

As a result of testing the study's sub-hypotheses for the second hypothesis, the researcher can verify that the second hypothesis of the study is valid, and there is a statistically significant relationship between the role of the internal auditor and the decisions of stakeholders.

5. Conclusions and Recommendations:

5.1: Conclusions:

The main objective of the research is to study the potential role of internal auditor and its impact on both corporate sustainability and stakeholders' decisions in the Egyptian environment business corporations. The results revealed the internal audit has witnessed a great development, so it is no longer limited to auditing the financial, operational, and other operations within the corporations, but it has become providing various assurance and consulting services with the aim of adding value to the corporations and its stakeholders, and such roles can be performed on suitability activities as corporations' sustainability is an existential issue, fundamentally linked to its financial performance and its ongoing viability. Internal auditor plays an important role regarding sustainability as he/she provide consulting and assurance services regarding its dimensions and also perform an important role regarding management process as internal auditor has a role in each stage of the five stages. While his/her role regarding stakeholders, internal auditors have different role concerning different stakeholders as audit committee, board of directors, external auditors and investors also as investors are looking for transparency and accuracy and such auditor plays an important role in financial reporting quality as it increases its transparency and accuracy, and financial report is an important tool that investors depend on to make their decisions.

5.2: Recommendations:

- ☐ There must be more attention given to internal auditor and his/her role specially in the Egyptian environment from all regulations and professional bodies since it has an important role in the business environment.
- ☐ There is a need for establishing an Egyptian institute for internal auditors as these examples seen in the United Kingdom and United states and in the Arabian countries as united Arabs Emirates.
- ☐ To increase credibility, there is a need to disclose both financial and nonfinancial information, which of course will affect stakeholders and help them in decision making.
- ☐ There is a need for spending more efforts to increase the society awareness for the importance of both internal auditing and sustainability especially in Egypt.
- ☐ The need from the Egyptian government to give more attention to establish an Institute for Egyptian internal auditors because of its positive effects on the development the internal audit profession in Egypt.

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