L'apport du contrôle interne à l'amélioration de la gouvernance des banques

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General Introduction

The bank, as part of its business, seeks to offer its customers the richest possible range of products to maintain its competitive position and defend its image and reputation in the square or even internationally.

When we speak of efficiency audit, we go to the simplest encompassing both the concepts of efficiency and effectiveness. Therefore it would be more consistent to speak of performance audit, the internal audit function provides in this respect the reasonable assurance that the operations carried out, the decisions are "under control" and that they therefore contribute to business goals. This is a function eminently useful to management, which explains its development over the last two decades with an extension of its focus on efficiency and performance beyond mere compliance.

It is in risk analysis and their causes is the major contribution of internal audit, whether potential risks or already made, the identification and assessment of operational risks are the daily bread of internal auditors. Now these observations, often with no apparent direct link with forecasts and results, may remain unknown for as they controllers may have implications to consider.

Therefore, the bankers, in their role of financial wizards of economic agents in the course of their business endorse or face a multitude of risks whose primary is the risk associated with granting credit, considered the heart of the business of the latter.

Banking institutions must now redouble its efforts to restore confidence, basic element of their job, which is to permanently withstand the dangers of loss, so a good management and strict controls may reduce exposure of the bank to different risks.

Therefore, the control of risks inherent in the banking activity can be done through the establishment of an effective internal control system encompassing all activities and functions.

The bank is required to improve an internal control system, the supporting and measuring permanently effective, that's where we attended the inescapable role of internal audit whose primary mission is to detect and analyze the risks of banking activities and that may affect the achievement of objectives.

The Bank of Algeria has enacted laws giving the internal audit a prominent place in financial institutions, it is now a fundamental pillar in the banking structure as it is considered a governance help function business, control but especially in risk management. It also aims to help the management of each entity to achieve its objectives by assessing its risk management process and making proposals to enhance their efficiency.

Furthermore, the internal audit function to detect and solve the problems facing the banking business and to determine the degree of exposure to various risks inherent in the banking and financial activity in the short, medium and long term and better master through recommendations and monitoring their implementation.

All these elements are the main reason that pushed us to deal with this theme entitled "The effect of internal audit on financial performance of a bank."

In light of the above, and to further develop the theme of our research, we will try to provide answers to the main problem thus posed:

"How the internal audit he helps in improving the financial performance of the bank?"

To clarify this problem, we propose to make at first answers to the questions below:

- What is the Internal Audit? And is its methodology?
- What is the financial performance of the bank? And how can we calculate?
- What is the scope of internal audit and is the risk analysis performed by the internal auditor parallel to performance?
- How does an internal audit mission on granting investment credit at the National Bank of Algeria (BNA)?

To answer these questions, we relied on the following assumptions:

- Internal audit is an independent and objective activity that gives an organization assurance on the degree of control of its operations and advice to create added value by following international methodology.
- The performance of a bank is related with the efficiency and effectiveness of its agencies.
- Internal audit is a mission that contributes in the control of risks of bank credit.

The benefit of this research is to study the internal audit function and its effectiveness in detecting risks of bank loans.

We chose this theme because internal auditing has become the word that comes from the mouth of all bankers, Fashion Algerian bank XXI century, so it is within the scope of our training.

We used in this research descriptive method because we presented the key concepts of our theme, namely: internal audit and risk bank loans.

Regarding the collection of information necessary for the development of our graduation memory, we conducted our research at the library IFID well as online library "ScholarVox".

And also to respond to the issues raised above, as well as various issues, we have divided this work into three (3) chapters:

The first chapter "Generalities on auditing internal" presents all that is connected with this function: the main internal audit foundations, its development, the framework of professional practices function as well as the methodology of conducting an audit engagement.

The second chapter entitled « The performance of bank agencies " is used to present the performance of bank agencies and its tool of measurement.

The third chapter entitled "Case Study" which will contain the presentation of the BNA, and conduct an internal audit mission on granting investment credit at the National Bank of Algeria.

Introduction

Internal audit is generally considered as a discipline dealing with control mechanisms and instruments within the companies. This gives visibility to the devices of the company. In fact, the environment is becoming more and more intangible, pushing companies to create and develop the internal audit function which becomes the vital function and is at the heart of management.

In recent decades, the practice of internal auditing has undergone a considerable development marked by a triple extension: extension in its object which passed from conformity to performance, extension in its objectives, from the search for fraud to a function assistance, extension of the scope of application, from an accounting and financial audit to an operational and strategic audit. In this first chapter we are interested first of all in the first section to basic notions about the internal audit namely its history, its definition, its characteristics and objectives and its trades, then in the second section we will present the organization, forms and tools of internal audit. Finally, and in the third section we will present the methodology for conducting an internal audit mission which is composed in three essential phases such as the study phase, the verification phase and the conclusion phase. The plan of the chapter is as follows:

- Section 1: Concepts of internal control.
- Section 2: Concepts and reference for internal audit.
- Section3: Methodology and tools for conducting a banking internal audit mission.

Section 1: Concepts of internal control

We have seen previously, that the corporate governance aims in a general way to frame the action of the managers to ensure that the latter is part of a process of creation and good distribution of the value, moreover it must guarantee the adequacy of the operating mode of the company with the objectives assigned to it. To achieve this goal, there are spontaneous mechanisms and intentional mechanisms. This section aims to question the contribution and the role of internal control as an intentional mechanism in the corporate governance process in its broader vision, that is, the stakeholders vision.

1. Internal control mechanism for the reliability of information and risk management

1.1. Internal control mechanism for the reliability of information

Making good business decisions is based on reliable information, which can be produced by the company or received from outside.

The company database consists mainly of the following categories of information [1] :

- Primary information: is the information generated by the company at each of its transactions with its environment for its current activity. They are used for decision-making and reporting purposes legal: this is the intra-organizational information.
- Information about items of a more discontinuous nature that the company obtains externally to motivate some of its decisions, for example, information relating to the growth of the business sector, the share of market and competition.
- Inter-organizational information that corresponds to the internal workings of the company.

To fulfill their role within the corporate governance system, this information must meet certain criteria, including reliability. Reliable information is information capable of translating reality at a given moment. As already mentioned, the most appropriate source of information is accounting, which is motivated by the ability of accounting and financial information to make the company's activity more visible.

Indeed, the importance of transparent and reliable financial reporting in the corporate governance system is confirmed by the OECD when it considers in its report in 2004 that transparency and the dissemination of information is the one of the principles of corporate governance: *"A corporate* governance *system must guarantee the timely dissemination of accurate information on all significant matters affecting the company, including financial position, results, shareholding and the government of this company "* [2] . This information must be established in accordance with recognized accounting standards .

In a favorable environment, some agents can be led for several reasons, to manipulate or truncate this information, these reasons find their justifications within the positive theory of accounting, thus sacrificing one of the essential principles of governance. And aggravating the problem of information asymmetry as a source of dysfunctional corporate governance and the cause of its inefficiency. This manipulation of information will have the consequence of condemning the company in a way of

[1] Wa Mandzila , E., op.cit , p 94

[2] Principles of governance of OECD business, 2004 p 53

destroying value, since decisions made on the basis of erroneous information will not be effective, thus leading the corporate governance system to a risk of failure.

To cope with this risk, the internal control system sets a goal of ensuring the reliability of information, through the implementation of internal control procedures that ensure that all transactions carried out by the organization with its internal or external partners are faithfully captured in accordance with the accounting rules and principles in force, and properly transmitted to the relevant stakeholders. For its part, the internal audit component important internal control is responsible for checking the adequacy of these procedures with the objective which is fixed to them, starting first by a conformity examination in which, it makes sure that these procedures are correctly applied.

In reality, the relationship between the reliability of information and the performance of internal control is announced by the process of certification of accounts: in the absence of control procedures, the auditors may refuse to certify the financial situation, moreover, the degree of deepening of their examinations and on-the-spot checks largely depends on the result of the assessment of the internal control procedures.

1.2. Internal control mechanism of risk control of the company

The central objective of corporate governance is ultimately to ensure that the manager's action is part of a process of creating value through a cognitive vision based on learning and cooperation. To do this, we have seen that the corporate governance system is anyway a complex and multidimensional system integrating several dimensions, which spreads throughout the company, and wondering about first, on the origin and the process of creation of that value which should subsequently be protected.

The internal control system seems to be able to meet this need, since a good internal control system sets itself the objective of ensuring that the risks to which the operations carried out by the company are identified, evaluated and controlled by adequate procedures. These procedures, when formalized, constitute a guide and a responsibility for management. The internal control system reassures the Board of Directors of the protection of key value-generating activities and supporting activities that are essential for the smooth running of these key activities.

This commitment to internal control through the creation of value is also confirmed by the new objective that the latter has just incorporated: it is the control of risks related to the company's strategy. The internal control system thus appears to be a response to the needs of the strategic governance subsystem.

Internal audit, which is responsible for ensuring that internal control procedures for risk control exist, are applied and are most effective. *It must then be perceived as a management tool for managers. The feedback and the role of proposal played by the internal audit allow the management to learn (learning) in order to bring out the strategic orientations that will bring the most profitable investments* [3] .

[3] Bertin , E. , op.cit ., P.154

2. Internal control versus agency theory and transaction costs

While the origin of the debate on corporate governance goes back to the agency's theories and transaction costs, it seems pertinent to question the position of internal control over these two theories.

2.1. Internal control: response to the theory of the agency

The agency's theory has highlighted the existence of an agency relationship between the owners of the company and the team responsible for carrying out the operations of the company, from the moment the owners delegate the right to use of their business under certain conditions set out in the trust agreement.

The theorists of this current of thought have exposed this agency relationship supported by informational asymmetry in favor of the manager is not always without cost. They highlight the existence of a number of costs borne by both actors, which corporate governance must reduce.

Indeed, the establishment of the internal control system, reduces the costs of the agency [4] .

Based on the assumption that reliable information is derived from a reliable internal control system, auditors, as an important mechanism in the agency relationship, will be required to reduce their audit work by instead, which is likely to reduce their fees, and therefore the reduction of control costs borne by the (main) shareholder.

In addition, effective internal control procedures, such as segregation of duties, limit the risk of fraud and detect errors that could have resulted in a residual loss.

3. Supervision of the manager's behavior by internal control

Within the company the leader can adopt an opportunistic behavior which aims at obtaining specific advantages or to make its removal difficult or expensive, and this especially when the environment is favorable (asymmetry of information, absence of control ...), and thus drive the company to the destruction of value. These behaviors find their justification in the theory of rooting.

As one example, one of the most sensitive forms of rooting is the choice of discretionary or specific investments. [5]

Indeed, it becomes problematic when the manager has a margin of maneuver allowing him to make investments contrary to the interests of the company.

Indeed, the investment process often takes place in four stages [6]:

- The process of definition;
- The impulse process which has a role of filter of the initiatives born during the previous phase ;
- The setting of the structural context by the hierarchical top, that is to say of all therules which frame the decisions;
- Determining the strategic context, the policy process by which middle managers seek to change the strategic vision.

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[4] Wa Mandzila , E., op.cit ., P 174

[5] Genaivre , E., op.cit ., P. 40

[6] Charreaux billion. , Self-financing, information and knowledge, Research Paper of FARGO, France, 2007, p 8

These four steps can be summarized in three phases: the phase of submission of the investment request, phase of approval and the phase of realization and follow-up.

The internal control system must identify and assess the risks associated with each phase in order to put in place the most appropriate control procedures.

For example, the establishment of an investment procedure that requires that the investment application must be formalized by specifying the purpose and purpose, the expenses, the benefits and in particular the reasons for the choice. The initiator will then be called upon to present to a specialized committee his investment, and this at an approval meeting (thus translating cognitive governance through constructive debates and learning, and the reduction of asymmetries of skills).

These procedures can play a dual role:

- **A defective role :** unnecessary investments will not be approved through the process.
- **A preventive role:** the manager will only month that his investment will be useful and cost effective, its application will not be approved.

The implementation of control procedures may prevent the company to see leaders commit the company in unprofitable or unnecessary investments by reducing their discretionary space.

Section 2: Concepts and reference for internal audit

As mentioned earlier, the effectiveness of the internal control system is based on certain criteria, including the existence of an effective internal audit function, with the latter being responsible for ongoing monitoring, evaluation and improvement of the system. internal control system, to enable it to achieve the objectives for which it was designed and implemented. We will try in this section to present this function starting with its history, its definition, its missions, and finally its methodology of evaluation of the internal control.

1. Definition of internal audit

Before reaching the definition of internal audit and the presentation of its missions, this research proposes to review the history of the birth of the function and the basic theories justifying its creation.

1.1. The birth and development of internal audit

The internal audit function is a relatively new function since its appearance dates back to the economic crisis of 1929 in the United States [1] . Following the stock market crash of the 1930s "and in order to avoid the repetition of such a crisis, the US legislator has stipulated the obligation for listed companies to have their accounts and financial statements certified by an external auditor. companies have been forced to use the services of external audit firms, independent bodies whose mission is the certification of accounts, balance sheets and financial statements. These external auditors are not all present at the company full time, had to engage in many preparatory tasks to ensure their certification: inventories of all kinds, analyzes of accounts, various and varied surveys, etc.

These companies, which were actively seeking to reduce their costs by reducing the workloads and workloads of the external auditors, naturally proposed that some of these preparatory tasks be performed by the company's staff. External audit firms validate this proposal, subject to some supervision. Companies manage to lighten their burdens.

The first appearance of the internal auditors was thus characterized by a kind of outsourcing favoring the external auditors. They are auditors since they carry out audit work without having the opportunity to express an opinion, they are internal because they are employees of the company.

Even when the crisis has passed, these internal auditors who have accumulated know-how in tools, audit methodology and account certification, are still useful for the management of the company. The outsourcing objective granted to these internal auditors has been superimposed on its new dimension. Its objective now is to reassure the general management of the certification the balance sheet and the profit and loss account, based on two fundamental notions: the regularity and the sincerity of the annual accounts. It's mainly about conducting a financial audit. In 1941, these internal auditors came together to create the Institute of Internal Auditors (IIA), which subsequently played an important role in the development and standardization of internal auditing.

Explained mainly by the image of rigor that it conveys, risks that it allows to identify and control, policies and action plans that it proposes and must accompany, savings in resources that it allows to realize, and in an unstable environment marked by the complexity of the management and control parameters that it must control, the term of audit experienced a development both horizontal and vertical.

On the vertical side, the scope where the areas of internal audit intervention have been expanded to cover all areas, functions, activities or operations within the enterprise even to all decision stages. On a horizontal level, the practice of auditing has extended to public organizations, associations and small

[1] Renard, J., op.cit., P. 35.

and medium-sized enterprises [2] . In this case, it is in addition to the financial audit to carry out an operational and even strategic audit.

It should be noted that the importance and developments of internal control have led to increased interest in the internal audit function. [3] , and have actively contributed to the broadening of its objectives, it has become a new challenge for internal auditors. This can be justified by the fact that the latter play an important role in the evaluation of the internal control systems, which they are responsible for maintaining at a satisfactory level of efficiency.

Because of the environment in which they operate, including their position within the organization, internal auditors play an important role in monitoring the functioning of the internal control system. They conduct an organized and direct review of the internal control system and recommend improvements to management.

1.2. Theoretical foundations of the creation of internal audit

The emergence of internal audit may possibly be justified by several theoretical currents, notably the theory of transaction costs, which seems to be the most favored.

For the theorists of this line of thought (Coase and Williamson), the existence of the company is only justified by its ability to save on transaction costs, i.e. to internalize certain transactions and realize them at a lower cost than if they had had to take place on the market. It is for this reason that managers of large companies and a chain reaction, have opted to internalize certain tasks of their external audit (legal) instead of resorting to the market represented by external audit firms. The interest of this action is obvious, it is a question of reducing the hours of work of the external auditors, by relieving them of some tasks, finally leading to reduce their fees. This theory also seems very suitable to justify the evolution of the function and its importance, because the internal audit is responsible for the evaluation and assessment of the system which must make it possible to obtain a reasonable assurance when considering efficiency of carrying out the operations of the company ie the internal control system. This insurance plays a decisive role in the process of arbitration between the company and the market.

1.3. Definition of internal audit

The definition proposed by the IIA in 1999 translated into French by the IFACI (French institute of auditors and internal auditors) is as follows:

"Internal audit is an independent and objective activity that gives an organization an assurance of the degree of control over its operations, provides advice on how to improve them, and helps create added value. It helps this organization achieve its objectives by evaluating, through a systematic and methodical approach, its risk management, control and corporate governance processes and by making proposals to increase its effectiveness. " [4]

From this definition follow the following observations:

- Internal audit is an independent activity: all the professional organizations, texts and standards governing the function agree on the need for the independence of the internal audit function, this independence aims that the internal auditor should not suffer any influence or pressure to the detriment of the objectives assigned to it, which can be materialized by the hierarchical linkage of internal audit to senior management, the board of directors or the audit committee. Internal auditors must also have the appropriate powers, not the hierarchical powers but the powers necessary to fulfill their mission.

[2] Bertin, E., op.cit. P 18;

[3] Sourour, A., the role of the internal auditor in the corporate governance process through the evaluation of internal control, communication CERMAT, France, 2007, p 7;

[4] Renard, J., op.cit., P. 73;

- Independence also has a very significant impact on objectivity. The internal auditor when he is concerned by the result of the evaluation is not able to make an objective assessment. [5]
- The advisory dimension: The previous definition broadens the role of the internal auditor by emphasizing its advisory function, which is called upon to intervene in several areas even to contribute actively to the overall risk management process, this also includes the assessment of the effectiveness of the internal control system.
- Internal audit is a methodical function: the intervention of the audit must be planned and organized in order to achieve maximum efficiency. the internal auditor must perform quality work characterized by taking into account the different standards in this area.
- Internal audit as a means and not an end: internal audit is not in itself an end, it is a means whose purpose is the evaluation of the internal control system and control of risks, this The latter is the raw material of internal audit, to reassure management and governance bodies of its effectiveness, or otherwise to make the necessary recommendations.

2. Tasks and positioning of the internal audit function

2.1. Missions

The tasks of internal audit stem from the objectives of internal control; indeed, the general mission of the function is to ensure that the current mode of operation of the internal control system enables it to achieve its objectives: it This is in line with the internal control objectives mentioned earlier in this research, namely the objective of compliance, operational, reliability of reporting and recently the control of the risks related to the strategy.

From these objectives, different missions can be associated with the internal audit: the operational audit, the financial audit and finally the audit of the strategy and management.

In the context of a financial audit assignment, the internal auditor is concerned with the reliability of accounting and financial information and ensures the accounting protection of the company's assets. It aims at the reliability of internal accounting procedures, with a view to reassuring senior management or giving recommendations if the result of the audit is not satisfactory. This is not a legal certification mission.

It is thanks to the operational audit mission that the scope of intervention of the internal audit has been actively expanded, beyond the accounting and financial aspects, the operational audit covers any function, any process to ensure the smooth running of operations, and that these are in line with the direction of the general management. Renard combines four natures of the operational audit, each element corresponds to a period of maturity of the internal audit. It is:

- Conformity or regularity audit: in the compliance audit the internal auditor must compare the rule and the reality [6], he ensures the proper application of the rules and procedures in force. In other words, it's about making sure that what should be done is done. Compliance auditing is the basic and simplest auditing task, the internal auditor being well informed about what should be, has a repository from which to base his work and verify its application.
- The audit of efficiency or performance: beyond the verification of the application of the rules in force, the internal auditor takes on another challenge, he must question the quality and relevance of these rules. The effectiveness audit is more complicated because the repository itself must be diagnosed based primarily on the cognitive skills and experience of the internal auditor in the audited function, and guided by two basic concepts: efficiency and effectiveness.
- Management audit: this is certainly not the audit of senior management and the assessment of its strategies and policies, these missions are not the responsibility of the internal audit. On the

[5] Mougin, Y . , The new practices of the management audit, AFNOR, France, 2008, P 70;

[6] Renard, J., op.cit, P48;

other hand, it is the operational managers who are concerned, it is "to see to what extent the policy is in line with the strategy of the company or with the resulting policies." The maintenance policy is it consistent with the investment policy, is the advertising policy in line with the marketing policy. " [7]

- Strategic audit: the strategic audit mission is the direct result of the introduction of risks related to the company's strategy within the scope of internal control, it is in this nature audit to ensure coherence between all the strategies and the environment in which the company is located, and not to evaluate the strategies.

2.2. Positioning the function

The purpose of this point is to situate internal audit in relation to other related activities, in particular external auditing and management control. Internal audit should also be situated in relation to internal control.

2.2.1. Internal audit and external audit

External audit is a function performed by an independent professional outside the company, whose purpose is to express a reasoned opinion on the sincerity and regularity of the annual accounts, and that these represent a true and fair view of the financial statements. transactions carried out during the past financial year, as well as the financial position and assets of the company at the end of the financial year. [8]

Several points of difference can be mentioned: from the point of view of status, and as specified in the definition of external audit, the latter is provided by a professional external to the company contrary to the internal audit which is provided by a employee, and although the two functions require a certain independence, this one and from a theoretical point of view is favored in the case of the external auditor, meaning to have no interest outside his fees. in the company, which will reinforce its objectivity.

As for their objectives, the internal audit aims at reassuring the general management and the board of directors as to the control of the activities of the company through the assessment of the performance and the good functioning of the internal control system, this last appears as an end for the internal audit. On the other hand, the objective of the external audit is to provide assurance as to the sincerity and regularity of the financial statements and that they represent a true and fair view of the financial position of the company. The external auditors are also called upon to assess the internal control system (which is in contrast to the internal auditors reduced to accounting aspects), in order to determine the degree of depth of their work, the internal control system in this case is much more to a means and not an end.

From the point of view of periodicity, the internal auditor seems in a privileged position because of his daily and full-time existence in the company. It works permanently but organized on the basis of audit plans as specified by the standards of the function. The external auditor works intermittently and intervenes in suitable periods for the certification of the accounts.

Finally, it should be noted that these two functions are mutually complementary. The divergence between these two functions may in some respects be beneficial for the overall quality of controls, especially when it is operated through positive cooperation between internal and external auditors. It will allow a sharing of the results of control and a better appreciation of the risks of the firm [9].

2.2.2. Internal audit and management control

[7] Renard, J., op.cit., P. 51.

[8] Camara. M, The essence of accounting and financial audit, Harmattan, France, 2009, p 23;

[9] hemangui, M . and Manita, R . , Evaluation of the quality of the internal audit - external audit: proposal of a conceptualization approach , communication CERMAT, France, 2007, p 13

Management control is a function that has seen a significant change in internal audit since it has gone from simple cost analysis to budget control and then to real economic and financial control of the company. information systems that have resulted in the establishment of PGIs, have, among other things, contributed significantly to this evolution, by relieving the controller of routine tasks and allowing him to focus on other dimensions more important.

According to Reix " An ERP is a configurable, modular and integrated computer application that aims to federate and optimize business management processes by offering a single repository and relying on standard management rules " [10]

The management control is characterized by four dimensions [11] :

- The data (all the work of data entry and verification of the data that will feed the system in figures);
- Information (all outputs resulting from data processing),
- The objectives (the link between the strategic objectives of the company and the indicators and the variables necessary for their realization),
- Decisions (everything that comes from the assistance of managers and the animation of the company's management system).

The introduction of ERP opens new perspectives for a better valorization of the work of the controller by actively encouraging an increased focus on analysis and advice at the expense of more routine tasks such as the collection and formatting of reports. now provided by the PGI.

Table 01: Internal Audit and Management Control: Similarities and Differences

The similarities	The differences
- The two distinct functions are recent (relative to the other functions of the company) and still in development; - Their field of intervention covers all the activities of the company; - The two functions are generally attached to the highest hierarchical level of the company; - Both functions are not operational (they recommend and offer).	- Internal audit aims to better control the activity by evaluating internal control procedures. Management control, meanwhile, aims to measure performance through achievements, warns against the differences that have occurred or foreseen and proposes actions to restore the situation. - Management control focuses more on encrypted and quantifiable information. Internal audit goes beyond this dimension and integrates the areas of security, quality, social relations ... etc.; - The internal auditor intervenes throughout the year following a pre-established program.

[10] Chtioui, T . and Bennani , A . , The management controller and ERP software packages: new perspectives or new frontiers, IBIMA business review, USA , 2009, p 9;

[11] Meyssonnier , F . and Pourtie r, F. , Do ERP Change Management Control ?, Accounting and Knowledge Review, France, 2005, p 12

	The operations of the management controller depend largely on the results of the company and the periodicity of the reporting; - Both functions have a different work methodology.

Source: Khouri, N., Memory of PGS bank, audit and internal banking control case: audit of the cycle medium term investment credit The National Bank of Algeria, Algiers Business School, 2006, p 13.

2.2.3 Internal audit and internal control

It is not a question of making an exhaustive comparison but of placing the internal audit in relation to the internal control in order to avoid any kind of confusion, the latter being a system which extends to the whole of the company including internal audit. It is not an observable function at the level of the organization chart such as the internal audit function.

The internal control system with objectives of the type "ensure, control and guarantee" provides a raw material for internal audit characterized by objectives centered around "verify, assess and judge" the latter is even as already explained, an element good internal control.

3. Practical framework of internal audit

The presentation of the theoretical framework of the internal audit in the previous section will be completed in this section by a rather synthetic presentation of its practical framework, in particular the norms governing the practice of the function and the toolbox at the disposal of the auditor. within the framework of carrying out its work.

3.1. International Internal Audit Standards

The standard for internal audit is understood as a general rule that guides the auditor's professional behavior in order to accomplish his or her mission with a satisfactory level of quality.

Internal audit standards are both a means of communication and a means of evaluation. They are a means of communication because once available, the internal auditor is informed about all the principles, methods and behaviors deemed "best" in terms of organization and practice of internal audit. They represent a means of evaluation insofar as they constitute a frame of reference that can be used to determine the responsibilities assumed by the internal auditor in carrying out his / her mission, thus confirming the positive link between the degree of compliance with standards in the quality of the audit.

Reflecting the increased emphasis on internal auditor behaviors, the International Standards on Internal Auditing issued by the leader IIA, contain a code of ethics consisting of four basic principles that conduct. These principles are: integrity, objectivity, confidentiality and competence.

IIA's internal audit standards, which have been translated into French by IFACI, are as follows: [12]

- **1000- Mission, powers and responsibilities:** the definition, standards, code of ethics, responsibilities and powers of the internal audit must be explicitly formalized in an official

[12] IFACI, International Standards for Internal Auditing, IFACI, France, 2011, pp 1.24

document, namely the audit charter. This charter must be approved by the audit committee and senior management, reviewed and updated periodically by the head of internal audit.

- **1100- Independence and objectivity:** Internal auditors must be independent in order to perform their work objectively. Independence within the organization is achieved when the head of internal audit reports functionally to the Board of Directors, with whom he must be able to communicate directly. This standard of objectivity is at the individual level because the auditor must be impartial and unbiased, and avoid any conflict of interest. If the breach of Independence is compromised, the parties concerned must be informed.
- **1200 - Competence and professional conscience:** this standard is a variation of certain principles of the code of ethics. Internal auditors (from an individual or collective point of view) must possess the knowledge, know-how and other skills necessary for the accomplishment of their tasks and the exercise of their responsibilities (individual or collective). Continuing professional development of internal auditors is essential in order to avoid a possible deterioration of their knowledge, or that it becomes obsolete.
- **1300 - Quality Assurance and Improvement Program**: The Head of Internal Audit shall develop and maintain a quality assurance and improvement program covering all aspects of internal audit, with a view to ensuring ensure the effectiveness and efficiency of the internal audit activity and identify any opportunities for improvement. The program must include an internal and external evaluation of the quality of the function, the results of the program must be communicated to the board and senior management, indicating whether compliance with the standards of the function in effect is verified or not.
- **2000 - Internal Audit Management**: The Head of Internal Audit is responsible for effectively managing this activity and ensuring that it adds value to the organization. It is recommended that risk-based internal audit interventions be planned in order to determine priorities; this program should be forwarded to senior management and the board as well as any needs in terms of human resources. Regular reporting on the implementation and monitoring of the audit plan. The internal audit manager must work in coordination with the various internal and external service providers.
- **2100 - Nature of work:** internal audit must assess corporate governance, risk management and control processes, and contribute to their improvement based on a methodical approach. His responsibility to corporate governance is to appreciate the ability of the governance process to respond to the following:
  - Promote ethical rules
  - Ensure effective management of organizational performance, with accountability;
  - Communicate information about risks and controls to the relevant departments of the organization;
  - Provide adequate information to the board, external auditors and management, and coordinate their activities.

It must maintain a reliable internal control system capable of achieving its objectives and controlling the risks incurred by the company, it must be very sensitive and responsive to any insufficiency or weakness of internal control.

- **2200 - Mission Planning:** Internal audit is an organized and methodical function that requires internal auditors to design a plan for each engagement. This mission plan specifies the objectives, the field of intervention, the date and duration of the mission, as well as the resources allocated.
- **2300 - Mission Achievement:** Internal auditors must identify, analyze, evaluate, and document the information necessary to achieve the objectives of the engagement.
- **2400 - Communication of results:** internal auditors must communicate the results of the missions, in particular by recalling the objectives and scope of the mission, as well as the conclusions, recommendations and action plans. In concrete terms, the addressees of the report

are not precisely defined, the standard has simply used the term "appropriate recipients" which remains extremely vague.

In the end, it seems that these standards have been brought into line with recent developments, particularly in the area of internal control, and new regulatory requirements such as the SOX law and the French Financial Security Act (LSF), since they seem to be guided by two strong ideas [13] :

- Provide internal audit with the mission of giving more visibility to the internal control systems of the company with a focus on the audit process itself.
- The increased requirement of communication and dissemination of information.

3. Terms of reference of the internal banking audit:

3.1. The code of ethics

The purpose of the code of ethics is to promote a culture of ethics within the internal audit profession . Given the confidence placed in internal audit and its capital importance in management, it was necessary for the function to adopt such a code.

The code of ethics goes - beyond the definition of internal auditing to include two essential components:

1. Fundamental principles relevant to the profession and to the practice of internal auditing.

2. Rules of Conduct outlining the expected standards of behavior of internal auditors . These rules assist in the practical implementation of the fundamental principles and are intended to guide the ethical conduct of internal auditors.

3.1.1. Fundamental principles : [14]

According to the IIA's "Code of Ethics " translated by IFACI, internal auditors are expected to adhere to the following four principles:

- **Integrity:** The integrity of internal auditors is the foundation of the trust and credibility of their judgment.
- **Objectivity:** Internal auditors show the highest degree of professional objectivity by collecting, evaluating, and reporting information about the activity or process under review. Internal auditors fairly assess all relevant elements and are not influenced in their judgment by their own interests or by others.
- **Confidentiality:** Internal auditors respect the value and ownership of the information they receive; they disclose this information only with the required authorizations, unless a legal or professional obligation requires them to do so.
- **Competence:** Internal auditors use and apply the knowledge, skills and experiences required to carry out their work.

[13] Tr e Bucq , S . and Diard, C . , Exploratory Analysis of the standards international audit instruments, communication CERMAT, France 2007, pp 3,4;

[14] Extract from the official cites IFACI: www.ifaci.com

3.1.2. Rules of conduct

The four principles above - mentioned comes in twelve rules of conduct that are the following:

- ✓ **Principle of integrity:**
- Accomplish missions honestly
- .Respect the law
- Not to take part in illegal activities
- Respect ethics.
- ✓ **Principle of objectivity:**
- Be impartial
- To accept nothing that could compromise the judgment.
- Reveal significant facts.
- ✓ **Principle of confidentiality :**
- Protect information
- Do not derive personal benefit.
- ✓ **Principle of competence :**
- Do only what you can do
- Improve your skills.
- Respect the standards.

2.2. International standards for the professional practice of internal audit

Standards for the professional practice of internal audit meet a fourfold objective: [15]

1. Define the basic principles that the practice of internal audit should follow.

2. Provide a frame of reference for the realization and promotion of a wide range of internal audit activities providing added value.

3. Establish the criteria for assessing the functioning of the internal audit.

4. Promote the improvement of organizational processes and operations.

To reach this quadruple objective the norms are declined and three categories:

Qualification Standards state the characteristics that must present organizations and individuals performing internal audit activities.

The Operating Standards describe the nature of internal audit activities and define quality criteria for evaluating the services provided.

Implementation Standards They disclose the Qualification and Operating Standards for consulting or insurance activities.

Note : Qualification Standards and Operating Standards apply to internal audit work in general; the Implementation Standards apply to specific types of engagements (consulting and insurance).

[15] Jacques Renard, Internal audit: what is the debate, P 241/242

Section 3: Methodology and tools for conducting a banking internal audit mission

1. General methodology for the conduct of an internal audit mission : [1]

"The auditor's methodology presents the consistent progression of the actions of the internal audit throughout the mission, in order to effectively achieve the results expected by the company of the audit missions, this methodology allows to describe to the listener the method which he must use to launch his mission, to carry out his work, to draw the conclusions, to present them, and to obtain that the progressing actions are put in place . [2] "

An internal audit mission takes place in three main phases:

- ✓ The study phase
- ✓ The verification phase
- ✓ The conclusion phase

The triggering of the mission is characterized by the issuance of a mission order by the general management: "The mission order is the mandate given by the General Management to the internal audit, which informs the principal managers concerned of the Imminent intervention of the auditors . [3] ", the mission order is a summary document that states:

- The subject and objectives of the mission
- The start date and duration of the mission
- The leaders and members of the mission
- The entities involved in the mission.

1.1 The study phase:

This phase characterizes the launch of the mission, the auditor carries out a research work of all the elements concerning the audited domain, the objective being to detect the main apparent strengths and weaknesses of the latter.

Four stages constitute this first phase, it is:

- ET ape recognition;
- The e t ape risk analysis;
- The stage of choice of objectives;
- The task determination step.

Each of these steps leads to the development of an appropriate document by the team in charge of the mission.

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[1] Inspired by two main references:

- IFACI, O. Lemant , Conducting an Internal Audit Mission, 2nd Edition Dunod , Paris 1995.

- Mr. O.NAMOUS , internal banking audit course, ESB, 2014.

[2] IFACI, O. Lemant , Conducting an Internal Audit Mission, 2nd Edition Dunod , Paris 1995, page 10.

[3] idem , page 35.

1.1.1 The recognition stage [4] :

During this stage, the auditor gathers all the useful information to deepen his knowledge of the field audited, the collection of information concerns:

- The research of the elements of definition, knowledge, analysis of the activity, in supports specific to the company or the trade;
- Obtaining financial information, management control, company policies and directives, procedures, regulations, etc., relating to the audited entity
- Identification of the management methods and information systems of the audited entity
- Previous inspection and audit reports;
- The establishment of an organizational chart of the audited entity and job descriptions.

All this information will be reported in a folder that will be the descriptive part .

The conclusion of this step leads to the development of a document called "the plan of approach"

- ✓ **The approach plan :** " *The plan of approach organizes the study and preparation phase of the mission, it associates with a knowledge of the area to be audited defined by the order of mission and an awareness of its usual risks and opportunities for improvement, a decomposition of the subject of the mission into auditable objects that produces the auditing repository* . " [5]

1.1.2 The risk analysis stage :

All information collected during the recognition stage will be analyzed in this step and this, in order to express an opinion on apparent strengths and weaknesses.

"A strength or weakness must be expressed in relation to an internal control objective or a characteristic normally expected to ensure the proper functioning of an organization or the achievement of an expected result. " [6]

The assessment of a risk is based on two estimates:

- the degree of severity of the resulting loss or its consequences
- the probability of realization of the risk

The depth of the study should be limited at this stage of the analysis, to express an opinion on the strengths and weaknesses that will need to be confirmed or reversed in the field. The end of this stage is sanctioned by a product called "the table of apparent strengths and weaknesses (TFfa)".

the table of apparent strengths and weaknesses (TFfa): "concludes the risk analysis phase carried out on the basis of the objectives defined in the plan of approach; it presents in a synthetic and argumentative way the auditor's opinions on each of the topics analyzed. It is a "stocktaking" of

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[4] IFACI, O. Lemant , conduct of an internal audit mission, 2nd edition Dunod , Paris 1995, page 43.

[5] IFACI, O. Lemant , Conducting an Internal Audit Mission, 2nd Edition Dunod , Paris 1995, page 39.

[6] idem , page 65.

actual or potential strengths and weaknesses, and prioritizes risks for the purpose of preparing the policy report. " [7]

The TFfa is in the form of a table including the following data:

- the area audited,
- the control objectives,
- the indicators,
- the strengths and weaknesses,
- the consequences,
- the degree of confidence and comments.

1.1.3 The objective selection stage:

At this stage, the auditor is required to determine the specific objectives of the assignment.

The choice of objectives is made from:

- local management concerns
- topical priorities
- conclusions of TFfa

The end of this stage is materialized by "the orientation report".

- **The orientation report:** "defines and formalizes the axes of investigation of the mission and its limits; it expresses them as objectives to be achieved by the audit for the applicant and the auditees. " [8]

The orientation report must define the mission in terms of objectives to be achieved, it must be discussed with the main officials audited and the applicant (general management).

1.1.4 The task determination stage:

This step consists in drawing up an exhaustive list of the work that the field auditors must perform (the tasks to be carried out, the investigations to be carried out, the tests to be carried out, the control points to be investigated, etc.).

To do this, "an audit program" is developed at the end of this step

The audit program : "The audit program is the range of work to be done to achieve the objectives of the orientation report . It is an internal document of the audit department, intended to define, distribute in the team, plan and follow the work of the auditors. "[9]

It usually consists of a set of sheets, each containing an objective of the orientation report and listing the work to be carried out and the methods for their implementation.

[7] idem , page 64

[8] IFACI, O. Lemant , Conducting an Internal Audit Mission, 2nd Edition Dunod , Paris 1995, page 73.

[9] idem , page 77.

All of these stages constitute the study phase, at the end, the audit structure must organize the rest of the mission by means of a detailed program called BAPS (budget-allocation-planning-monitoring) is a forecasting dashboard that organizes the mission in time (date, duration) and in space (auditors, structures), it means.

- Budget: the distribution hours / days for each task
- Allowance: who does what;
- Planning: when do we do it;
- Follow-up: report of time and progress.

1.2 The verification phase:

This is the second phase in the conduct of an internal audit mission. It consists of field verification work on all the information gathered and concerned by the objectives set out in the orientation report.

During this phase, the listeners:

- Carry out the necessary investigations and controls provided for in the verification program;
- Prepare cover sheets and working papers describing the work done, the tests carried out and the justification of their conclusions.
- Establish the Disclosure and Problem Analysis (FRAP) sheets.

1.2.1 The cover sheet:

"The cover sheet is the two-step document that describes how a task defined in the audit program is implemented and then highlights the conclusions that were drawn. " [10]

The cover sheet must include, an objective, work execution procedures and a conclusion. It is carried out in two stages, before the action and describes the purpose and methods of execution; after the action and she describes the results obtained.

Each cover sheet should include the reference of the corresponding working paper as well as that of the FRAP or the mention "no FRAP" if the conclusions are not significant.

1.2.2 Working papers:

"Constitute the auditor's raw material for:

- Explain each conclusion and remark in the cover sheet;
- Document all the facts of proof and argument;
- Establish a common basis for exchange and enrichment work among the different members of the audit team.

Working papers are prepared throughout the mission and must be kept and circulated to the team in charge of the mission. " [11]

[10] IFACI, O. Lemant , Conducting an Internal Audit Mission, 2nd Edition Dunod , Paris 1995, page 89.

[11] O. Namous , Internal Banking Audit Course, ESB, 2014.

1.2.3 Disclosure and Problem Analysis Sheets (FRAP):

" FRAP is the synthetic working paper by which the auditor documents every malfunction, concludes each section of the fieldwork and communicates with the auditee concerned. " [12]

Any malfunction must be reported in the form of FRAP as follows:

- the problem that sums it up
- the facts that prove it
- the causes that explain it
- the consequences that this entails
- the recommendations that solve it.

FRAPs must be approved by the head of mission and then validated with the auditees concerned as the mission unfolds . All FRAPs, after reclassification and titration, may constitute the body of the report.

1.3 The conclusion phase :

This is the last phase of an internal audit mission, it is marked by the establishment of a summary summary and the development of the report plan, that is to say, the backbone of the report and the final report to the site.

In the end, the mission must be a written report containing all the conclusions that the work done in previous phases resulted.

1.3.1 The framework of the report:

" The framework of the report, developed from the" problems "on the FRAPs - and the conclusions on the cover sheets for the satisfactory points - is the sequence of messages that the audit wants to deliver during presentations and in the report concluding the mission. " [13]

The framework of the report is used as:

- self-diagnosis of the consistency of the conclusions of the mission
- draft report draft guide when it consists of FRAP
- drafting guide if there is no FRAP
- summary writing guide
- support for presenting the final report to the site.

1.3.2 Final Site Report (CRFS):

"The CRFS is the oral presentation, by the head of mission, to the principal responsible of the audited entity, of the most important observations. It is done at the end of the fieldwork. The final report to the site is sometimes preceded or replaced by reports provisional: for example when the

[12] IFACI, O. Lemant , Conducting an Internal Audit Mission, 2nd Edition Dunod , Paris 1995, page 95

[13] IFACI, O. Lemant , Conducting an Internal Audit Mission, 2nd Edition Dunod , Paris 1995, page 105.

site manager has requested weekly reports , or during a multi-site audit when all field work is done on one site before moving on to the next. " [14]

1.3.3 The internal audit report:

"At the end of the intervention the internal audit report communicates, to the main officials concerned for action and to the Directorate for information, the conclusions of the audit concerning the capacity of the audited organization to accomplish its mission, putting the focus on dysfunctions to develop progress actions. This is the most important document issued by the auditing structure, it differs from the final report to the site by the following characteristics: it is complete, conclusive, written and final. »[15]

The report must be signed by the audit manager, presented and discussed with the auditees. It must be structured and include a detailed part and a summary.

The report must be objective , clear, concise, precise, useful and convincing. Before it is distributed, the report must be reviewed by an internal audit committee or by a person who has not taken part in its drafting . The report must be distributed as quickly as possible.

2. Internal audit tools

The internal audit tools are numerous and their various purposes. They are used during the different phases of the mission.

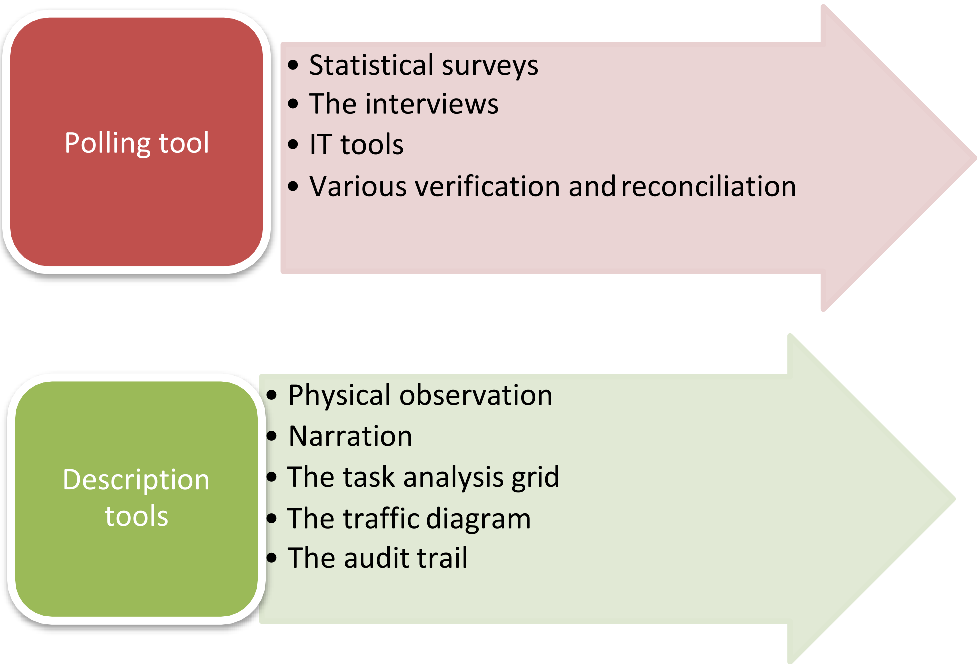
These tools are not used systematically, the listener chooses with discernment the most appropriate tool for the purpose of his mission.

According to Jacques Renard, the tools used by the listener can be divided into two categories: interrogation tools and description tools.

[14] Idem, page 114.

[15] Idem, page 117.

Figure N ° 01 : Internal audit tools.



Source : FOX, (Jacques): Theory and Practice of Internal Auditing, 7th Organizing editions, Paris, 2010, P.330.

2.1 The interrogation tools

2.1.1 Statistical surveys :

Also known as "sampling" , this technique involves the internal auditor taking a sample from a pre-designated population. This tool is very important for populations not included in the computer system. The survey identifies characteristics of the sample and extends them for study to the entire population. However, the choice of the reference population must be made in a careful and coherent way with the subject studied.

2.1.2 The interviews:

It is a communication between two people with a specific objective. The purpose of this technique is the ability of the listener to acquire information about the functioning of the audited entity, and thus deepen its knowledge of the mission theme to carry out the analysis it is able to establish.

2.1.3 Computer tools :

IT has become a tool widely used by internal auditors, it facilitates tasks and allows a better organization, its uses are various: audit programs, interrogation and selection software, word processors.

2.1.4 Various Audits and Reconciliations: [16]

A reconciliation is the ad hoc and post-audit verification, by various means and sources, of the validity of a fact, an affirmation or a declaration.

2.2 The description tools :

2.2.1 Physical observation :

The physical observation is the observation of the instantaneous reality of the existence and the functioning of a phenomenon (in audit one will observe a process, a good, a transaction or a value.)

The listener who observes carefully often raises problems that are not known, or that can not be deduced from the analysis of written information.

2.2.2 The narration:

There are two kinds of narration, both used in internal auditing: audited narration and auditor narration. The first is oral, the second is written.

The narration by the auditee is the richest, it is she who brings the most lessons narration by the listener is only an order of ideas and knowledge.

2.2.3 The task analysis grid: [17]

This tool allows a visualization of the distribution of tasks between people, so it allows to identify " who do what " to facilitate the listener to detect without errors errors in separation of tasks and therefore to bring remedy.

According to Jacques RENARD: "The nature of the task is indicated by referring to the broad categories that are in principle irreconcilable for a good separation; we therefore indicate if it is:

- A simple execution tasks .
- Or authorization .
- Or Registration accountant .
- Or control (verification). "

2.2.3 The traffic diagram :

[16] RENARD, (Jacques) : theory and practice of the internal audit, 7th editions of Organization, Paris, 2010, p.358.

[17] IFACI, O. Lemant , Conducting an Internal Audit Mission, 2nd Edition Dunod , Paris 1995, page 172.

"Also called" flow-chart ", it is a diagram that the listener draws to study:

- The organization of the processing of documents pertaining to a category of operation.
- The validity, effectiveness and coherence of the internal control system.
- The method of accounting of transactions. "[18]

This technique allows the auditor to make a presentation on the circuit followed by the documents for a given category of operations, and to follow the operation in its progression through the various services concerned. Identify discontinuities in the flow of operations, and appreciate the separation of tasks highlighted by the graphic presentation.

2.2.4 The audit trail :

"The audit trail is defined as a set of procedures that allows:

- To reconstitute in chronological order the operations.
- To justify any information by a piece of origin from which it must be possible to go back through an interrupted path to the summary document and vice versa.
- To explain the evolution of the balances from one order to the next by keeping the movements that affected the accounting items.

It should be noted that the entire audit trail thus defined applies to information intended to be published, whereas only the first two points mentioned above apply to information intended for supervisory and supervisory authorities. "

3. Internal audit effectiveness and efficiency

In the light of the evolution of internal audit, a new concept began to have a particular attention in the audit literature; it is the effectiveness of AI. Indeed, being effective is the challenge that IAF should successfully overcome to be the key component of good governance. In this context, it is important to explain the concept of IA effectiveness and identify critical factors that contribute to creation of “added value” of IA.

The professional standards for each of the internal and external audit have identified the necessary factors to ensure the quality of the internal audit function, and it identifies the list of auditing Standards (No. 65, AICPA, 1991) the factors of quality internal audit function to include:

1. competence which is measured by educational level, and Professional certificates,
2. objectivity which is measured by the parties that addressed the internal audit report to them, and the parties who responsible for the appointment of internal auditors,
3. quality of performance of tasks, which measured by the accuracy and adequacy of audit programs, and the scope of audit (AICPA,1991).

[18] SARDI, (Antoine): audit and internal banking control, editions AFGEE, Paris, 2002, p.454.

3.1 Defining Internal audit effectiveness and efficiency[19]:

Internal audit activity has an important role to play within public sector organizations and is a core element of good governance. By providing risk-based and objective assurance, advice and insight to management they enhance and protect the organizational value, hence management is increasingly interested that the internal audit function is operating with sufficient quality, effectiveness and efficiency, and demonstrate value to the organization. This publication provides further insight on performance measurement in the internal audit context and offers examples of performance measures that can useful for internal audit teams and the regulators.

A general description of effectiveness and efficiency is “the degree (including quality) to which established objectives are achieved.” The same description can be used for internal audit effectiveness and efficiency. Internal auditing should establish performance metrics and related measurement criterion appropriate to its environment/organization to measure the degree (including quality) of achievement of objectives for which the internal audit activity is established. (See Appendix B for examples of questions that could help determine internal audit quality.) Internal audit effectiveness and efficiency should be monitored and assessed periodically as part of the internal audit process.

3.2 Internal audit Performance Metrics/Measures of effectiveness and efficiency:

Internal auditing must effectively demonstrate its value as a key component of the organization’s governance framework. The audit activity can lead by example with strong, relevant, and reliable performance measures.

✓ **Establishing the Performance Measurement Process:**

To create effective performance measures, the chief audit executive (CAE) needs to establish a process for: • Identifying critical performance categories such as stakeholder satisfaction, internal audit processes, and innovation and capabilities. • Identifying performance category strategies and measurements. Strategies should be pursued in compliance with IIA Standards, other applicable professional standards, and applicable laws and regulations and should ensure stakeholder satisfaction. The use of performance measures can be an element of the internal audit activity’s internal assessment process to comply with The IIA’s Standards. • Routinely monitoring, analyzing, and reporting performance measures.

The process could follow these types of steps:

Table N°02 : Internal audit Performance Metrics/Measures of effectiveness and efficiency

Define Internal Audit Effectiveness
• Review relevant IPPF guidance including Standards. • Review the strategic plans of the internal audit activity and organization. • Review the board, audit committee, and internal audit activity charters. • Assess basic, expected, and targeted/preferred internal audit activity deliverables. • Formulate an initial definition of internal audit effectiveness and efficiency. • Define agreement from key stakeholders of the definition of effectiveness and efficiency.
Identify Key Internal and External Stakeholders

[19] Measuring Internal Audit Effectiveness And Efficiency , IAA , 2010, p2.

• Determine key internal and external stakeholders for the activity and organization. • Determine who directly or indirectly relies upon the internal audit activity's work. • Determine who benefits, directly or indirectly, from the internal audit activity's work. • Consider who supports the internal audit activity.
Develop Measurements of Internal Audit Effectiveness
• Understand key stakeholders' expectations of the internal audit activity. • Understand what internal audit attributes, deliverables, and capabilities key stakeholder's value and related shortcomings or advancements in these areas. • Develop measurement tools such as a balanced scorecard to document relevant attributes of effectiveness and efficiency and related performance against these. • Agree upon effectiveness and efficiency metrics with key stakeholders.
Monitoring and Reporting Results
• Establish an agreed upon format and frequency for reporting that considers the organization's size, nature, and governance structure. • Establish a periodic review of such monitoring and reporting to ensure relevance, efficiency, and effectiveness. • Use the results of reporting to shape and guide internal audit activities. • Align internal audit activities to the defined measures of internal audit effectiveness and efficiency.

Source: IPPF – Practice guide Measuring Internal audit effectiveness and efficiency, IAA , 2010,P4.

3.3 Characteristics of Performance Measures: Quantitative vs. Qualitative[20]

Both quantitative and qualitative metrics are important in demonstrating an internal audit activity's performance to key stakeholders, and both can be benchmarked against accepted standards, prior performance, and/or agreed up on expectations.

3.3.1 **Quantitative performance metrics** are often based on existing or obtainable data and are easily understood (e.g., percentage of completed vs. planned audits). They often require less effort to collect and are readily comparable to the same metrics in other organizations.

3.3.2 **Qualitative metrics** are often based on the collection of unique information through more time intensive methods such as survey research or interviews. They offer a broad view of performance on a range of topics that can provide depth to quantitative metrics.

3.3.3 **Specific Measures:** In addition to compliance with the Standards, internal auditing's performance measurement objectives may include: level of contribution to the improvement of risk management and control and governance processes; achievement of key goals and objectives assigned; evaluation of progress against audit plan; staff productivity; cost efficiency of the audit process, number of action plans for process improvements; effectiveness in meeting the needs of stakeholders; and the sufficiency of quality assurance reviews.

3.4 Key Performance Indicators: Examples[21]:

[20] Measuring Internal Audit Effectiveness And Efficiency, IAA , 2010, p6.

[21] Internal Audit Key Performance , WORLD BANK GROUPE ,2018,p4

There are many performance measures and indicators that public sector internal audit teams could decide to use and the following list provides indicative examples grouped in various categories:

- **External indicators:** This category measures factors which impact the works of the internal audit function indirectly and are not necessarily under the control of the internal audit department. Examples may include setting specific targets such as:
  - Time spend on management requested reviews relative to the overall internal audit plan;
  - Management satisfaction survey results;
  - Number of meetings between Head of Internal audit and senior ;management / Audit Committee, if established.
- **Planning indicators:** These indicators measure factors which impact the work of the internal auditors related to planning the audit processes, or which are expressed relative to the overall internal audit plan. Possible indicators include:
  - Total number of engagements completed by the internal audit function ;
  - Number of assurance engagements performed by the internal audit function as a proportion of the overall internal audit plan;
  - Time spent on compliance audits, operational/ performance audits, IT audits and consulting engagements ;
  - Percentage of key risks audited per annum ;
  - Proportion of audit universe addressed in the audit plan.
- **Budget indicators:** Under this group of performance measures items such as output relative to resourcing of the internal audit function are measured. Indicators may include:
  - Resources allocated to the internal audit department relative to benchmarks ;
  - Various comparisons including: cost per audit hour;
  - budget versus actual, comparisons with previous year, internal audit costs relative to overall payroll costs, costs of internal audit relative to total operating costs.
- **Staffing indicators**: These indicators measure the performance and quality of the staffing resources within the internal audit department. Examples include:
  - Number of internal auditors relative to total staff • Average years of internal audit staff relevant experience • Proportion of internal auditors with professional qualification/certification including those required by the regulator (usually the Ministry of Finance) • Internal audit staff turnover;
  - New internal audit hires versus total internal audit staff ;
  - Number of hours spent by internal audit staff in Continuing Professional Development ;
  - Number of hours of training per staff ;
  - Proportion of internal audit budget allocated to professional development ;
  - Levels of internal audit staff satisfaction.
- **Impact and Quality indicators:** These indicators measure the ultimate impact and effectiveness of and internal audit function. Possible indicators under this category include:
  - Time from completion of field work to issue the draft/ final internal audit report ;

- Number of recommendation issued (overall or per audit report);
- Percentage of recommendations issued (per audit report);
- Percentage of recommendations implemented ;
- Number of repeat findings relative to overall findings;
- Number and frequency of periodic / health checks ;
- External assessment score.

Conclusion

The internal audit function is an integral part of the company and operates within the framework of the policies defined by the General Department and the Board of Directors.

In order to carry out the internal audit assignments efficiently and effectively, in order to control the significant risks that may affect the smooth running of the company, the internal auditors follow a methodology based on the professional standards of the company. Internal audit, where internal auditors begin by preparing their mission through the identification of risks, the definition of the objectives of the mission and the program of the latter. Then the mission carried out by the field work using tools such as description tools and interrogation tools. Once the work is completed, the internal auditors prepare the audit report or the conclusions and recommendations of the mission are mentioned and communicated to the parties concerned.

Introduction

After a first chapter devoted to the presentation of the concepts of management control, after which we have clarified the close relation with performance measurement, we will focus in this chapter on the definition of the notion of the performance and its measure.

The measurement of performance is an essential objective for management control. It makes it possible to detect areas of deficiencies and to remedy them by appropriate palliative actions, forming part of the logic of the steering process that moves within the organization. In addition, the evaluation of the results obtained by the different management entities and their systematic comparison generates a climate of motivation and internal competition that can lead to competitiveness. This applies, of course, to bank agencies which, within the framework of managerial delegation, are assigned operational objectives to be achieved.

We will therefore focus in the following, to present the concept of performance management and its traditional and modern tools and the various pillars that constitute a steering system of a company. The plan of the chapter is as follows:

- Section 1: Preliminary aspects on measuring the performance of bank agencies
- Section 2: Prerequisites for the implementation of a performance measurement system;
- Section3: The tools and the evaluation criteria for the performance of bank agencies

Section 1: Preliminary aspects of measuring the performance of bank agencies

1. General information on the bank agency:

The bank agency, since it is around it that articulates our study, constitutes the main channel between the bank, as an institution, and non-state financial institutions, with clearly defined decision-making power and permanent a performance obligation to allow the implementation of the agreed strategy by the establishment. Hence the need to measure and monitor its performance.

1.1. The notion of bank agency:

Unlike the headquarters of the bank, the agency is a place open to public, allowing customers to perform various banking for satisfaction has different needs expressed. According to B. MICHEL, the bank a geographical decentralization of the headquarters. This feature is important for the marketing. It is through the agency that the customer gets an idea of his bank, and it's in C e contact between the client and the agency staff involved in the purchase and sale of the products and services of the bank. »[1]From there, it is undeniable that the agency occupies a capital position in the commercial architecture of the banking institution. It constitutes in an appropriate means of disseminating and marketing products to local customers and represents, by its direct contact with it, the pledge of the seriousness of the bank.

1.2. The activity of the bank agency:

The banking agency has a role that consists essentially of selling products and banking services to a local clientele. It thus fulfills a commercial function for the benefit of the banking establishment. As a result, it is obliged to offer a quality service to its customers, to retain the latter, while consolidating by the same the image of the institution.

Nevertheless, the activity of a bank agency is not just about satisfaction of the needs of its customers. In fact, agency managers are just as to develop their "customer portfolio" and optimize the volume of operations carried out within their unit. This results in an obligation to explore and canvassing, something that is unfortunately rarely taken seriously at the Algerian banks, except for a few private banks where targets in this sense are set for account managers. But in light of these considerations, it is also useful to note that the activity of a bank agency is often constrained by its direct environment, to which are added Moreover, the strategic orientations of the bank, which puts into perspective - and sometimes even - the field of action of the operational staff, thus obliging them to adapt and to proceed Consequently.

2. Definition of the performance concept:

Attempting to define performance is not an easy task as this concept a polysomic character. In French literature, this meaning means the result, usually remarkable, obtained at the end of an event (often sporting) or a quantified result made by a company or a State.

However, the sense of performance is vaguer, as far as it is based on two inseparables but fundamentally distinct notions, namely the couple value for money.

Indeed, Philippe LORINO considers that "It is performance in the company which, and only, which contributes to improving the value-cost relationship (on the contrary, is not necessarily performance which helps to reduce the cost or to increase the value, in isolation. " [2] The performance is therefore "All that, and only what, contributes to achieve the strategic objectives. »[3]

[1] Quoted in: OUKACI, T., "Performance measurement system of bank agencies and their classification «, graduation thesis, ESB, Algiers, 2010, P29.

[2] LORINO PHILIPPE, "Methods and Practices of Performance", Organization Editions, Paris, 1998, P18.

[3] idem P20.

We can then say that the performance is the result of an optimal combination coherent actions between them and means, which serve as a basis for evaluation. It follows that a company will only be qualified if it leads to growth goals that she has settled at the base. Nevertheless, this action is not judged absolutely and must be conditioned by cost rationalization.

Performance supposes achievement of objectives (effectiveness), with a level reasonable means (efficiency).

Mastering the performance is complex because it brings together several dimensions. AT from the two main criteria for assessing performance, namely efficiency and efficiency.

PERFORMANCE = EFFICIENCY + EFFICIENCY [4]

2.1 Efficiency:

Efficiency describes the ability of a person, group or system to arrive at his goals or goals.

To be effective would therefore be to produce expected results and achieve goals. Fixed, we can apprehend it by the best possible relation between the degree of satisfaction customers and the means implemented to obtain it. The customer satisfaction is in this case one of the dimensions of organizational success. Efficiency, success or successes are then close concepts.

2.2 Efficiency:

Efficiency is the quality of achieving an objective with the minimum of committed means, therefore it "maximizes the amount of production obtained from a given quantity of resources or minimizes the amount of resources consumed for production data »[5] .

Unlike efficiency, efficiency refers to the achievement of objectives with the minimum cost, energy and time possible.

According to STERN and EL-ANSARY [6], efficiency encompasses two concepts:

- Productivity: Optimization of the physical resources implemented;
- Profitability: Optimization of the financial resources implemented.

3. The measure of performance:

"The production steps and data are at the heart of management control process. It's from data and measurements that we can drive performance " [7] .

The measure of the performance is the evaluation of the realized with respect to a repository previously fixed. Indeed, it is the evaluation of a magnitude compared with another constant quantity of the same species taken as a reference (unit, standard). She "Above all allows us to objectify the nature of the desired performance, which favors common presentation of this

[4] BOUIN X, SIMON FX, "The New Faces of Management Control", DUNOD Edition, Paris, 2000, P74.

[5] MALO JL, MATHE JC, "The Essentials of Management Control", Organization Edition, 2nd Edition, Paris, 2000, P106.

[6] Quoted by VILLARMOIS O., "The concept of Performance and Measurement: a state of the art», 2001, Lille center for analysis and research on the evolution of UPRESA CNRS 8020, P2.

[7] GIRAUD F, SAULPIC O, NAULLEAU G, DELMOND MH, BESCOS PL, " Management Control and Performance Management", Edition MONTCHRESTIEN, Paris, 2002, P43.

performance within the company, starting point inescapable to ensure convergence of efforts and actions companies » [8] .

The measure of performance can be:

- Financial: expressed in monetary units or related to a financial aspect, by example: profit measurement, sales growth,
- Non-financial: expressed in non-financial units and not derived from transformations originating in monetary units, for example: number claims,
  satisfaction, absenteeism, Performance can also be measured:
- A posteriori: It is a question of measuring the degree of performance achieved or the degree of achievement of objectives. It is an observation made thanks to the indicators of result or reporting indicators;
- A priori: It is in fact to measure the progress of achievement of objectives and allow to react, and this by corrective actions. This measure is possible thanks to monitoring indicators or steering indicators. Performance measurement can be tricky because the final performance is over time, and only intermediate, one-off results can be assessed. Not necessarily in the same terms as the final performance.

4. Objectives of performance measurement:

Measuring the performance of bank agencies cannot be an end, it aims indeed a multitude of objectives and goals. Also, performance evaluation ensures above all a cognitive function insofar as it guides behavior and informs those in charge, in charge of agencies, strategic choices made at the global level of the bank.

4.1. An information objective:

The measure delineates the contours of the specific performance expected from each agency. Indeed, agencies have differentiated and therefore partial roles in the achievement of the overall performance of the bank. For this purpose, the definition of the criteria for measurement of performance is a privileged way to make known the strategic choices and to mitigate the risk of inconsistency between the overall goals of the bank and the actions taken at the agency level.

In addition, by providing information to managers, the measurement system of performance helps to help agencies to locate themselves and each other compared to competition, given the differences between agencies roles and responsibilities such as: geographical location, the nature of their clientele, the size of the agency...

In addition, the goal of performance measurement is to inform the hierarchy

(Agencies, Regional Directorates, General Management, etc.) Levels of performances achieved by the banking agencies for pilotage purposes.

4.2. An incentive goal:

The measurement of the performance of bank agencies plays a very important role in an incentive perspective for agency managers by turning them on defined performance direction. This tension can be transformed into a dynamic creative performance and learning.

The incentive mechanism is reinforced by the establishment of a system of sanction / reward in order to motivate the staff according to the performances achieved by each of the operational managers, this can be translated in terms of:

- Remuneration: Presence or absence of bonuses, evolution of remuneration fixed,
- Status: Promotion, transfer, dismissal,
- Recognition: Awareness, motivation prize (best manager award, travel, bonuses,);

[8] Idem P21.

- Delegated authority to the agency;
- Classification of an agency that can be erected from one category to another.

The incentive scheme, which is part of performance measurement, is supposed to be a driving force for action and motivation. But for it to be effective, it is essential that an agency's evaluation systems and systems of his men are consistent with each other [9]

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4.3. A driving objective:

The measurement of the performance of the bank agencies created a certain dynamic at the heart of the bank. This is in the American expression: » what gets Measured gets managed ", which translates into French as" we manage well only what we measure»

[10] , and therefore, to drive you must measure well.

Indeed, the performance evaluation makes it possible to objectify the management and management thus giving managers the possibility to conduct analyzes, take decisions and put in place action plans.

[9] BENKHEMMOU G., "integration of credit risk in the measurement of the performance of bank branches ", Memoir Ecole Supérieure de Banque, 2011.

[10] GIRAUD F, SAULPIC O, NAULLEAU G, DELMOND MH, BESCOS PL, "Management Control and Performance Management", Edition MONTCHRESTIEN, Paris, 2002, p.44.

Section 2: Prerequisites for implementing a performance measurement system

1. The principles of performance evaluation:

The interdependence and contradictory and conflicting nature of the principles of performance measurement construction make it difficult to identify the scope of each in isolation. For the performance measurement of bank agencies, the principles of construction considered fundamental are presented below:

1.1. The principle of relevance:

A measure of performance is considered relevant, if it guides the behavior of managers, in the sense of the company's objective, and thus of the general interest[1]. In this perspective, the performance measure of bank agencies must be of the same nature as the overall performance measure of the bank.

1.2. The principle of controllability:

The principle of controllability stipulates that the measurement of the performance of bank agencies must be built on the basis of the elements that are the direct efforts of these agencies and therefore controllable by them. This means that the contribution of their managers must be limited to the elements that are under their control.

The uncontrollable elements must then be neutralized, that is to say, removed from the agency performance measurement system. They can be squarely eliminated from the evaluation criteria or isolated so as to split the performance into two levels. The first retains only the controllable elements and is used to evaluate the staff of the agency. The second one takes into account all the controllable and uncontrollable elements and thus serves to evaluate all the activity of the agency for the selected period.

1.3. The principle of stability:

Although it must be scalable, that is, able to adapt to changing circumstances and strategy, the performance measurement system must be relatively stable over time in order to make comparisons of one period to another. Anyway; its complexity forbids changing it often.

1.4. The principle of reliability:

The measure must be reliable, in relation to the performance of the agency, that is to say verifiable and objective[2].

- **The verifiability:**

Verifiability means that the measure must give the same result if it is done by two different people. It requires stakeholders to be involved in measurement in determining performance indicators, as well as the accuracy of how data are collected and processed to assess performance.

- **Objectivity:**

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[1] GIRAUD F , Saulpic O NAULLEAU G DELMOND M - H, P BESCOS - The " Control e Gesture one and Pi the hostage Performance" Edition MONTCHRESTIEN, Paris , 2002, P72.

[2] BESCOS P. - L DOBLER Ph MENDOZA C NAULLEAU G Giraud F LERVILLE ANGER V " Management Control « Montchrestien in 4th Edition, Paris, 1997, P419.

Objectivity means that the person who measures has no personal interest in the evaluation. This supposes that the rules of evaluation are sufficiently explicit for everyone, and that there is very little room for personal interpretation and judgment.

As a result, part of the performance is based on customer satisfaction, and it will then be necessary to specify the indicators that measure this satisfaction, the procedure that feeds these indicators (example: survey, questionnaire, complaints follow-up) and the persons in charge. their follow-up.

2. Prerequisites for the implementation of a system for measuring the performance of bank agencies:

We have seen that the objectives of setting up a system for measuring the performance of bank agencies were the information of managers for the purpose of piloting, and the creation of an incentive mechanism. In addition, the construction of this system recommended the respect of certain principles such as relevance, controllability and reliability.

This cannot be achieved and such a system could not be effective if certain prerequisites for its construction have not been met, namely:

- ✓ The definition of the organizational structure of the bank;
- ✓ The implementation of a relevant cost accounting including tools and methods of cost calculation, the latter being particularly complex in the bank;
- ✓ The existence of an information system allowing the circulation and dissemination of information.

2.1. The organizational structure:

The banking business is very diversified and exerts itself in a complex structure where the delegation of power and authority has become a necessity to ensure efficient management.

Therefore, the establishment of the internal organization of the bank and that of agencies becomes imperative to the implementation of the measurement system.

Several approaches are possible, they are most often complementary and define the organizational framework in the bank. In what follows, we will present the two approaches on which the organizational delineation is based, namely:

- The approach by the organization chart;
- The responsibility center approach.

- **The organizational chart approach:**

The organization chart can be defined as a description of the various business areas of the company. Two types of organization charts can be used, within the bank, namely:

- **The organization chart:**

The organization chart is a diagram of the structure of the bank that highlights its various bodies and their respective relationships. It is necessary, however, to define the hierarchical levels that will be called upon to play an effective steering role, and that from the highest levels of its hierarchy (General Management, Regional Directorates, ...), to its lowest levels (Agencies, Services, …).

This leads to isolating responsibilities, identifying decision-makers, and facilitating the location and selection of critical and relevant information that managers need at different levels.

- **The functional organization chart:**

It cuts the bank according to its functions and not in relation to its hierarchical organization. DAUTRESME D. proposes the following classification of the functions of the bank[3] :

- The Exploitation function: its mission is to sell products to customers and maintain the customer-bank relationship. It is exercised mainly by bank agencies;

- The Production function: it ensures the administrative processing of operations initiated by the operation. It concerns the maintenance of the accounts of the customers and the physical execution of the operations belonging to the exploitation such as the posting of the movements, the sending of the statements, etc.;

- Assistance function: it supports the operation and concerns studies, marketing, personnel management, litigation, inspection, treasury, ... etc.

- **The approach by the responsibility centers:**

Without true decentralization, the technical procedures of management control often contribute to the bureaucratization of the company.

In order to allow a decentralization of responsibilities, and thus a better dissemination of the required performance requirements, the division of the bank into responsibility centers becomes a priority. These allow, through their operation, a good monitoring of the performance and a sharp evaluation of the results achieved.

Admittedly, the organization chart (hierarchical, or functional) is a useful way of schematizing the organization and functions of a bank. But it does not always make it possible to clearly separate the units that give rise to costs and revenues. The mode of division of the bank by responsibility center makes it possible to fill this gap.

2.2. The implementation of an analytical accounting:

Cost accounting is a quantitative technique for collecting, processing and interpreting global data, which leads to detailed measurements. It does not generally stick to the calculation of the firm's result for example, but aims to solve finer management problems, so as to guide decision-makers. It allows, thanks to precise and permanent procedures, to have regular and standardized information to study the evolution of the calculated costs, and to measure the consequences, which has the purpose of making the correct corrective decisions.

Cost accounting is particularly complex and difficult to develop in the banking environment, due to the complexity of the banking structure, the linked nature of multiple products, the multiplicity of profitability analysis axes and certain inductors. specific costs such as risk.

- **The foundations of an analytical accounting system:**

[3] DE COUSSERGUES S., " Management of the bank", DUNOD, 2nd edition, Paris, 1996, P120.

The construction of an analytical accounting system is essentially based on the general accounting system. Indeed, a reconciliation between these two information systems is necessary to detect the gaps existing between their data and to ensure a good concordance in the interpretation of the results.

The management controller, responsible for the implementation of cost accounting, must adapt it precisely to the specificities of the company, through choices on:

- **The breakdown in responsibility center:** the distribution of indirect costs on the products or customers passes first by their distribution on the centers of responsibility. To this end, the division of the bank into responsibility centers makes it possible to have a more efficient cost allocation system;
- **The units of work:** defined as units of measurement of the activity of a profit center. They are expressed, most often, by a physical measurement (time, weight, quantity, volume, etc.), and are generally retained when they are best correlated with the evolution of the specific costs of these factors. centers;
- **The basic information:** some of them must be collected and reprocessed afterwards. The basic information is of two kinds. These are, on the one hand, monetary data of accounting origin making it possible to know the expenses consumed during the period, and, on the other hand, quantitative data concerning the physical flows that come from the different operational units.
- **The general architecture of an analytical accounting system:**

The construction of an analytical accounting system is based on the elaboration of a general scheme based on the principle of division of the enterprise into responsibility centers and on the process of allocation of charges, whether direct or indirect. indirect.

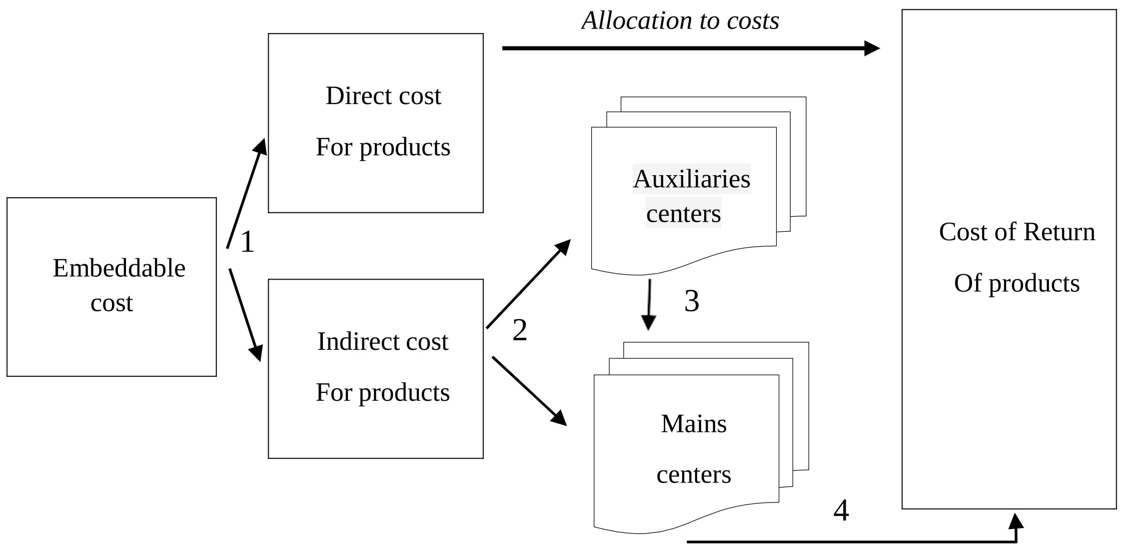
Costing in the cost accounting process involves taking into account all the direct and indirect costs of each responsibility center. The following diagram illustrates this process in a very simplified way.

- **Legend[4]:**

1. Classification of costs as direct and indirect costs in relation to products.
2. Assignment to the centers of analysis, indirect costs in relation to the products.
3. The main centers directly involved in the production process of the products and the auxiliaries centers whose main activity is devoted to other centers.
4. All indirect costs now grouped in the main analysis centers are related to the products according to their respective consumption of units of work of the mains centers.

[4] P. - L BESCOS & al, " Management Control and Management", Montchrestien end, 4th edition, Paris, 1997, p. 222.

Figure N° 02: Architecture of a cost accounting system[5]**.**



Source: L BESCOS & al, «Management Control and Management", Montchrestien ,4th edition, Paris, 1997, p. 222.

2.3. The information system:

"The management of the company and the continuous improvement of its performance require the setting up of an appropriate information system"[6].

The implementation of a system for measuring the performance of bank agencies involves the collection of a great deal of information that is not available in the general accounts or in the various statistical reports produced by the bank. That is why it is essential to organize the collection, processing and articulation of the bank's information by developing an efficient information system.

According to HC LUCAS: "The information system is the set of organized procedures, which provide the information necessary for decision-making and / or control of the organization"[7].

So, the information system must:

- Allow the production of information requested by third parties on the appropriate media: balance sheets, statements of account, ...;
- Assist in decision-making by providing decision-makers with the necessary information;
- Ensure the circulation of information within the company.

- **The characteristics of the information system:**

[5] Idem ;

[6] GUERRA FABIENNE, " Pil Company's strategic hostage," Edition De Boeck University, Library National Paris, 2007, P46.

[7] ALAZARD C SEAPRI S " Control of management (manual and appreciative DCG11)," Ed DUNOD, Paris, 2007, P81.

After processing and storing the data, the information system is used to supply the internal audit with the necessary data, but in order to fulfill its mission, this information provider must be reliable and meet the criteria of quality:

- Ethical and complete;
- Coherent;
- Indispensable at each level of responsibility;
- Fast and reliable data provider;
- Evaluative and controlled: it must also be controlled by monitoring the following: the relevance, the adequacy of the system to the needs, the reliability of the information provided, the minimization of the margin of error and efficiency.

- **The importance of the management information system:**

To remain competitive, credit institutions will increasingly be required to devote significant investments to management information systems. These investments should be conducted in a logic allowing the integration of the forecasting management in the control of the profitability and thus in the measurement of performance. The information system architecture must be tailored to the needs of each institution's strategy, thus ensuring top-down data selectivity (for strategy deployment, for example), and good aggregation of upward data (serving to control delegations of authority and to measure intermediate performance).

Section 3: The tools and the evaluation criteria for the performance of bank agencies

1. Traditional tools of performance measurement:

The performance management mission is to define and execute a number of actions in order to achieve the objectives set in the company. To do this, two tools support the performance measurement procedures of bank agencies, namely:

- The reporting;
- The dashboard.

1.1. The reporter:

"Reporting is the process of feedback of the entities of a group to the different levels of the hierarchy, and ultimately to the General Management"[1].

It is a means of aggregating management information that enables management to centrally monitor results, analyze and coordinate corrective actions. There are two families of reporting:

- Accounting reporting;
- Financial reporting.

- **Accounting Reporting** [2] **:**

The accounting report organizes the feedback to the group, i.e. it ensures the production of the accounts at the level of each legal entity that will be consolidated at group level.

The information contained in this reporting is produced according to the rules of accounting standardization bodies.

- **Financial Reporting:**

Very often, the term "reporting" refers implicitly to financial reporting. This type of reporting mainly affects financial information, i.e. turnover, margins and contributions, key ratios, etc.

Entities often transmit this information on a monthly basis.

Thus, a summary and precise vision on the performance of the activities carried out by the entities is offered to the operational managers as well as to the General Management through financial reporting.

But this type of reporting has been criticized because it is subject to certain limits:

- It only integrates financial information and results and therefore does not allow a reactivity in a timely manner because it is often too late;
- It is a tool of the General Management, so it is not suitable for decentralized decision-making.

1.2. The dashboard of the bank agency:

- **Definition of the dashboard of the agency:**

"It is the agency's management and control instrument, grouping together significant indicators of the progression of results towards the achievement of objectives, and of the adequacy of the means planned to reach them"[3].

In fact, thanks to the evolution of these indicators, the agency's scoreboard follows the degree of achievement of the final objectives and the intermediate objectives that correspond to them.

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[1] GIRAUD. F, SAULPIC. O, NAULLEAU. G, DELMOND MH, BESCOS. PL, " Control of management and Pi the hostage of a performance," Edi ti on MONTCHRESTIEN, Pari s, 2002 P86.

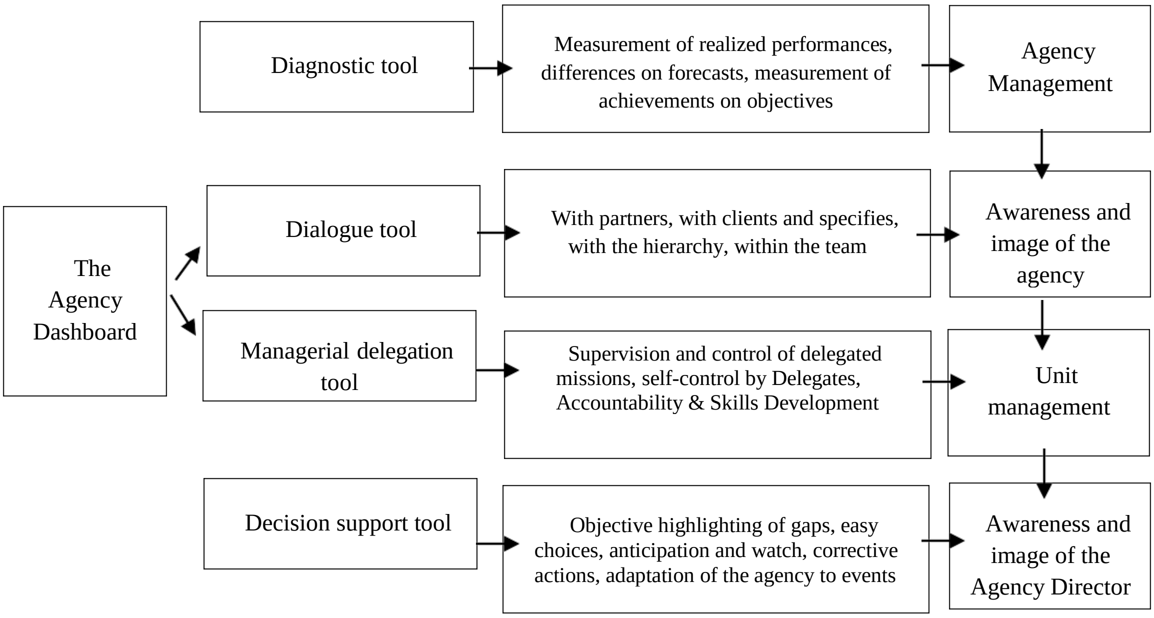
[2] DEHILI S. "System for measuring the performance of bank branches and their classification by data analysis methods", DSEB, 2011.

[3] MAISONNEUVE JH, MORIN JY, "Management of the Banking Agency ", Bank Review Edition , Paris, 2003, P99.

These objectives are set, at the beginning of the year, by the General Management, the Head of Agency or following a consultation between the two parties.

In addition, the dashboard induces a dynamic analysis by the immediate comparison it allows between the results obtained and the set reference.

Figure 03: The vocation of the dashboard of the agency[4].



Source: MAISONNEUVE JH, MORIN JY, "Management of the Banking Agency", Bank Edition Review, Paris, 2003, P100.

- **The characteristics of the Dashboard:**

A dashboard can only be described as "good" when it combines the following three (03) characteristics:

- **The cover:**

The dashboard must match the manager's context. It must therefore contain indicators covering all the activities for which the management and management are the prerogatives of the head of the entity concerned by the dashboard.

- **Handiness:**

The scoreboard must, at each level of analysis, provide a visualization of the situation of the unit concerned from a small number of indicators (less than 10), a graph to present the most representative information data from the table, a clear, concise and concise comment, as well as references to the objectives and sources used.

- **Consistency and continuity:**

[4] MAISONNEUVE JH, MORIN JY, "Management of the Banking Agency", Bank Edition Review, Paris, 2003, P100.

"Indicators must be able to evolve over time, and the information needed to inform them must come from reliable, relevant and periodically powered sources"[5].

Indeed, the choice of relevant and reliable indicators ensures an effective measurement of the performance of the entity concerned, and meets the information needs of the hierarchy.

2. New tools and approaches to performance and steering:

New concepts enrich management control practices and internal audit at an increasingly rapid pace. These tools often tend to overlap without necessarily constituting a homogeneous whole. These novelties do not have the same weight and are often interpreted differently according to the actors of the companies.

2.1. The ING benchmark:

- **ING Benchmark Definition:**

"The ING Management Benchmark, or competitive benchmarking, consists of setting up a system for systematically comparing the performance of the company, or certain of its functions, with the outside world. This method is an active tool for improving performance. For this, it recommends exchanges of experiences between professionals with similar problems. The method goes beyond the simple organization of an information gathering and exchange process to complement a dashboard and reporting system "[6].

- **Objectives of the ING benchmark:**

The ING benchmark , as a "process of identifying, analyzing, and adapting the practices of the best performing organizations to improve the performance of their own organization" [7], goes beyond a simple identification of "best practices". Indeed, it assumes other objectives among others:

- Analyze the strengths and weaknesses and self-evaluate deeply its performances;
- Improve the measurement of the performance of the reference entities;
- Compare its practices with those of external or internal reference entities;
- Set ambitious goals and exceed the performance of the reference entities;
- Increase customer satisfaction and competitive advantages;
- Contribute to the improvement of overall performance;
- Increase opportunities for successful management.
- In this sense, for all these reasons, the ING benchmark is a creator of value.

- **The different types of ING benchmark:**

- **Internal ING Benchmark:** realized with other units of his own organization. As such, it is an opportunity for the management controller to improve the indicators of the dashboard.
- **Process ING Benchmark:** it consists of an analysis of the best practices concerning the same essentially functional processes. As a result, it offers the possibility of undertaking an ABC-ABM initiative within the company.

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[5] MAISONNEUVE JH , MORIN JY, "Management of the Banking Agency ", Bank Review Editi on, Paris , 2003, P102.

[6] ROUACH . & NAULLEAU G., "The Banking Management Control and Financial Management", 5th limited ed n Bank Review Edi t i on, Pari s, 2009, P344.

[7] X BIN AND SIMON F -X. , " The New Faces of Management Control ", Ed DUNOD, Paris , 2000, P77.

- **Competitive ING Benchmark:** It is usually established to analyze strategies, processes and practices with competitors or companies with the same activity.
- **Benchmark ING strategic:** it allows to adapt the strategy and deployment of a prospective analysis of emerging trends and options on the market for process technology and distribution.

The role of the management controller lies in the determination of the process at " benchmark" and in its description. He is part of the work team and his main tasks are to collect, qualify and exploit information.

2.2. The ABC method:

The ABC Activity Base Casting method, despite its late appearance in banks, due to the existence of indirect financial costs, is a method often used to highlight hidden costs useful in the study of the profitability of banks. a product or a customer.

This is an approach that aims to allocate all the operating costs attached to the product or customer by type of operation.

The founding principle of the CBA is inspired by the activities of a responsibility center as the interface between resources and cost objects, unlike the method of homogeneous sections of cost allocation to analysis centers through units of work or distribution keys.

This method therefore identifies the basic activities that can be identified in the bank's organization and that constitute the basic units of its value chain. Its methodology is subsequently allocating resources to activities to finally determine the consumption of activities by objects cost as represented below - below:

Figure 04 : Principle of the ABC method.

Resources	Activities	Costs
Staff (time)	Direct to Product / Service	Products. Features
Premises (square meter)	Related to customer support	Customers
Computer Equipment	Related to Product Support	Businesses
	Linked to the structure	

Source: ROUACH M. & NAULLEAU G., "The Bank Management Control and Financial Management ", 5th edi ti on, Bank Edi ti on Review, Paris , 2009, P348

2.3. The measure of value creation by the EVA (Economic Value Added) method[8]:

Economic value added (EVA) is a measure of a company's financial performance based on the residual wealth calculated by deducting its cost of capital from its operating profit, adjusted for taxes on a cash basis. EVA can also be referred to as economic profit, as it attempts to capture the true

[8] Site web : https://www.investopedia.com/terms/e/eva.asp

economic profit of a company. This measure was devised by management consulting firm Stern Value Management, originally incorporated as Stern Stewart & Co.

EVA is the incremental difference in the rate of return over a company's cost of capital. Essentially, it is used to measure the value a company generates from funds invested into it. If a company's EVA is negative, it means the company is not generating value from the funds invested into the business. Conversely, a positive EVA shows a company is producing value from the funds invested in it.

The formula for calculating EVA is

EVA= Net Operating Profit After Taxes (**NOPAT**) - Invested Capital * Weighted Average Cost of Capital (**WACC**)

3. The indicators of the performance measurement of bank agencies:

3.1. The choice of indicators:

In order to allow a reliable and relevant analysis reflecting the reality of the performance of the agency, it is necessary to make a good selection of indicators, based on the following criteria:

- Understanding and acceptance of the indicator by all;
- The existence of the indicator in the database of the bank;
- The reliability of the source of the basic information;
- Anticipation: they must provide information informing about the future.

- **The profitability criteria:**

The analytical operating account of the bank agency is a very important measure of performance. It traces the result of the activity of an agency through its presentation in the form of a state of supported charges and products made during a specified period.

Table 03: The Analytical Exploitation Account of a bank agency.

products	**Expenses**
Bank Operating Products	Bank Operating Expenses
Interest and similar products Fees received Other banking operating income	Interest and similar expenses Paid commissions Other bank operating expenses
Net banking income	
General Operating Revenue	General operating expenses
General operating expenses	Services Personnel costs

	Taxes and taxes Other operating expenses
Gross operating result	
Accounting and tax products	Accounting and tax expenses
Resumption of provisions Miscellaneous products	Depreciation and amortization Provisions Diverse charges
Operating result	
Exceptional products	Extraordinary charges
Result Before Taxes	
	Income Tax (IBS)
Net Result of the Exercise	

The starting point for performance measurement is to identify revenue and expense items in the income statement that will allow us to calculate:

- **Net Banking Income (NBI):** it represents the difference between the banking operating income (PEB) and the banking operating expenses (CEB). The NBI shows the margin generated by the bank on all its activities, whether it is released on interest, on commissions or on capital gains or losses. Thus, a positive GNP indicates that the agency generates enough revenue through its business to cover the bank operating expenses.

The Banking Operating Products are composed mainly of:

- Interest and income received on transactions with financial institutions;
- Interest and income received on customer transactions;
- Interest and income received on bonds and other fixed income securities;
- Income from variable income securities;
- Other income and similar interests received;
- Fees received from customers and others;
- Other banking operating income received.

Bank operating expenses, for their part, mainly comprise:

- Interest and charges on transactions with financial institutions;
- Interest and charges on customer transactions;
- Interest and charges on bonds and other fixed income securities;
- Other interest and similar expenses;
- Commissions served;
- Guarantee premiums for bank deposits;
- Other banking operating expenses served.

- Signature Commitments:

Signature commitment is a common guarantee in the relationship between customers and suppliers. It can only be issued on the written instructions of the client, who also gives the irrevocable permission to debit his account in the event of a game.

The operating account makes it possible to assess the contribution of each agency to the formation of the final result of the bank. Calculating GNP and ER has a lot of benefits for measuring performance.

However, the analytical operating account can distort the judgment of an agency's performance relative to the whole. In fact, some agencies have been opened in order to drain local savings, their profitability cannot be compared with other agencies open in markets that promote job growth.

Productivity criteria:

The performance of bank agencies is not only measured by simple profitability indicators, but also by productivity indicators.

- Resources: it is a question of defining all the resources available to an agency:
  - Customer deposits in their different forms;
  - Refinancing the money market (central bank loans, loans on the market interbank).
- Jobs: these are the following credits:
  - Customer loans;
  - Credit granted to financial institutions on the money market.
- The number of bank accounts;
- The number of loan files granted;
- The number of current transactions;
- The number of foreign trade operations.

3. Return on assets (ROA)[9] :

Return on Assets (ROA) is one of the most popular and useful of the financial ratios. ROA has been used in industry since at least 1919 when the DuPont Company used it as the top of its ratio triangle system. The ratio was call ed return on investment and was calculated as

Profit / Total Assets.

The base of the DuPont triangle was the expanded ROA formula: Profit Margin (Profit / Sales) and Capital Turnover Ratio (Sales / Total Assets) (Horrigan, 1968). The importance that educators and practitioners place on ROA can be seen in three ways.

First, at least one ROA formula is presented in most business textbooks. ROA was the third most frequently presented ratio in a study of business textbooks, appearing in 70 of the 77 textbooks (Mankin & Jewell, 2010). Only the curre nt ratio and inventory turnover ratio occurred more often than ROA.

[9] Jeff Jewell, 'What is Your ROA? An Investigation of the Many Formulas for Calculating Return on Assets' Published Lipscomb University , 2012 P81.

Second, at least one version of ROA is used often in failure prediction studies. The original Altman (1968) Z-Score included ROA as one of its five factors used to predict business failure using a version defined as

Earnings Before Interest and Taxes / Total Assets (EBIT / TA).

Beaver (1966) also used ROA as one of the six ratios used to predict business failure. The ROA version in the Beaver study was Net Income / To tal Assets (NI / TA). Hossari and Rahman (2005) ranked the popularity of all financial ratios used in studies predicting business failures. Their study included 53 previous studies from 1966 to 2002 and ra nked 48 separate ratios. The ROA version Net Income / Total Assets (NI / TA) was the single most common ratio in all the failure prediction studies.

Third, analysts often use ROA in their investigation of a firm's financial position, performance, and future prospects. Gibson (198 7) surveyed Chartered Financial Analysts about the importance of many financial ratios. The study included four different versions of ROA, and each version was selected by at least 90% of the CFA respondents as a primary measure of profitability

3. Return On Investment (ROI)

There are multiple variations in ROI in the accounting literature and in business practice. For simplicity, the definition of ROI here is that which "yields an accounting profit at the net book value of the assets used to obtain it".

In its generic form, the ROI is presented as a rate of return, expressed as a percentage:
Beyond this simple calculation, several problems arise:

ROI = Profits / Net

- The net assets that are set to the denominator have an impact of increasing over time the profitability of the oldest investments, whereas no economic change justifies such an evolution. One can imagine at this stage the perverse effects induced by such a mechanism. To invest the rate of return in a new project is to mechanically lower the rate of return (over time the net value of the mobilization which is in the denominator decreases), that leads, if we use the rate of return in this way, to develop Malthusian policies and to refuse any new investment.

Conclusion

To conclude this chapter, we can say that a system of permanent and reactive performance measurement requires the respect of a certain number of principles during its implementation. Respect for these principles is itself conditioned by the existence of an efficient information system, relevant cost accounting, and a delineation of responsibilities. These elements are the prerequisites for setting up such a system.

Similarly, the quality of this system involves many factors: the skills of the actors, the responsiveness organized around this system, the relevance of the information system, the effectiveness of supervision both in its design and in its exercise, the management of human resources, especially in terms of motivation.

We must also emphasize the importance of tools classic control management (the reporting and the table of edge) to the extent the performance of bank agencies.

Indeed, although they are difficult to implement, these tools contribute to improving the performance of all bank agencies, and to their adherence to the bank's objectives through the creation of banks. a climate of communication and dialogue.

These are the tools that will allow us to have the necessary data to begin our practical case.

Introduction

Internal audit is a function that responds to precise definition, is implemented according to a well-defined methodology to carry out the internal audit mission.

Any theoretical work cannot be considered effective and generates added value if it is not followed by a practical demonstration of this principle and after clearing the various theoretical concepts related to the subject studied through a structured presentation in two chapters are: "General of internal audit, banking environment", we will try to put into practice the acquired provided by that party.

We performed an internship at the National Bank of Algeria, where we realized our qualitative study of ground to verify the assumptions relating to our initial problem, following a methodological approach that is descriptive method.

The purpose of this chapter is consisted highlight the main stages of development of an internal audit mission within our bank, this chapter is divided into two section; The first section deals with the presentation of the host organization, the second section deals with the conduct of an audit in the National Bank of Algeria. The plan of the chapter is as follows:

- Section 1: Overview of the National Bank of Algeria (BNA).
- Section 2: Internal Audit of the device granting of investment loans in BNA.

Section 1: Overview of the National Bank of Algeria (BNA)

The BNA is the bank in which we conducted our final course of study.

It is appropriate, therefore, to present before starting our case study.

- ✓ Company: National Bank of Algeria
- ✓ Registered office: 08 Bd Ernesto CheGuevara - 16000 Algiers
- ✓ Share capital: 150 000 000 000 000 DA

1. Historical[1] :

BNA, the first national commercial bank, was created June 13, 1966 by Ordinance No. 66-178. It exercises all the activities of a universal bank and was charged in addition to finance agriculture.

In 1982, the BNA has been restructured following the creation of a new specialized bank in the financing and promotion of rural areas, the Bank of Agriculture and Rural Development (BADR). Following the promulgation of Law No. 88-01 of 12 January 1988 orientation companies to their autonomy and Law No. 90-10 of 14 April 1990 on money and credit, amended and supplemented by Ordinance No. 03-11 of 26 August 2003, as amended and supplemented by Ordinance No. 10-04 of 26 August 2010, BNA, like other banks, was considered a legal person performing as the usual occupation banking defined by the amended and supplemented Law 90-10, namely the reception Public funds, credit transactions and the provision of customer payment and management thereof.

These two fundamental texts have also resulted in reforms both in terms institutional and organizational and in terms of social management, including management human resources.

1.2 Share capital:

In June 2009, the capital of BNA was increased from 14.600 billion dinars reaching 41.600 billion dinars by issuing 27,000 new shares of a million dinars each, subscribed and held by the Treasury.

1.3 The Head office [2]:

Its headquarters is located at No. 08, Boulevard Ernesto Che Guevara-16000- Algiers- Algeria.

2. Network of BNA:

Today the network of BNA is comprised of 214 branches throughout the territory national and others are planned in the framework densification and development its operating network.

The network BNA is framed by 17 regional offices called directions of network operating (DRE). Each DRE has line authority over a number of agencies.

BNA's agencies are categorized as follows:

- Principal agencies.
- Categories agencies A, B, C.
- Agencies onsite located on the premises of large public companies.

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[1] Document submitted by BNA general direction in PDF

[2] Website: www.bna.dz

3. Missions of BNA

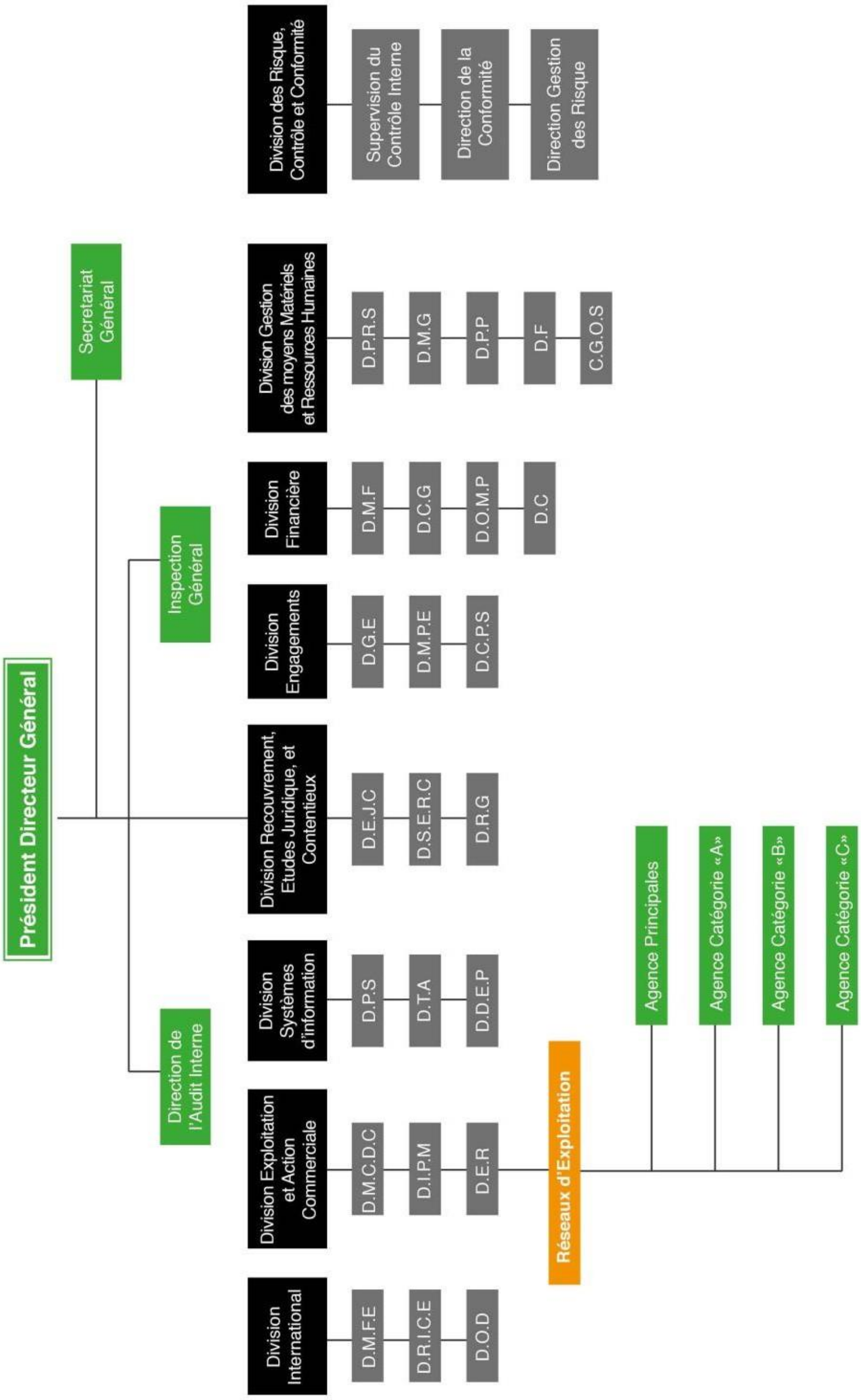
Ordinance No. 66-178, of 13 June 1966 creating BNA, load it missions following:

- As a commercial bank, it handles all banking operations, collects deposits and grant loans.
- As an investment bank, it collaborates with other financial institutions for medium and long term loans.
- As a national company, it serves as a tool for financial planning including needs the state, it is also responsible for executing and implementing the policy credit by government.
- It also makes available to customers, a wide range of services banking including:
- The resources for (checking accounts and current accounts).
- The resources and term currencies.
- Time resources (certificate of deposit, time deposit, savings account).

4. Organization of BNA:

The bank's organizational structure is as follows:

Figure N 05: The bank's organizational chart



Source: internal document in BNA.

The BNA is organized as follows:

4.1 The Directorate General (DG):

It ensures the overall management of the BNA. Five (05) central structures to it directly related:

- The Inspector General (IG).
- The Legal Studies Department and Litigation (DC).
- The Directorate of Internal Audit (DAI).

- The Risk Management Division (DGR).
- The Internal Control Supervision (SCI).

4.2 The central divisions:

Their main task is the management of the important functions of the bank

- Structures within the International Division:

DMFE: Financial Movements Branch with Foreign Countries.

DRICE: International Relations and Foreign Trade.

DOD: Documentary Operations Department.

- Structures related to the Operations Division and Commercial Action:

DER: Department of Supervision Network.

DMCCD: Marketing and Communication.

DIPM: Instruments Branch Payment and Electronic Banking.

- Structures within the Information Systems Division:

DDEP: for Development Studies and Projects

DTA: Technology Management and Architecture

DPS: Department of Production and Services

4.3 The Regional Directorates of Operations (DRE):

They are responsible for the guidance and support of the business and administrative agencies and are supervised by the Directorate of Supervision Network (DRE).

The operating network BNA has 17 Regional Directorates of Operations that

214 agencies oversee different types located throughout the national territory.

4.4 BNA agencies:

BNA consisted of 211 agents grouped into seventeen (17) Regional Offices operating.

These agencies are classified according to the volume of their activities and powers in four (04) categories:

- ✓ "Principals" agencies.
- ✓ Agencies "Class A".
- ✓ Agencies "Category B".
- ✓ Agencies "category C".

5. Directorate of Internal Audit (DAI)

5.1 Powers and scope of intervention of the DAI:

The Internal Audit covers all the activities and the bank's functions in accordance with the general policy defined by the governing body. Accordingly, the Audit Department

Internal (DAI) must be informed of any new product or service and any amendments operational.

Thus, pursuant to Circular No. 1922 of 28 December 2006 on the powers and organization of the Directorate of Internal Audit, Internal Audit BNA acts for:

- Audits of efficiency on the quality control and the adequacy of procedures in place to ensure compliance with laws, regulations and policy bank.
- Operational audits to control the quality and reliability of the systems and procedures and the adequacy of resources and methods to objectives.
- Audits of procedures aimed to assess the effectiveness and efficiency of procedures, in particular measurement methods and risk management.
- Accounting and financial audits in order to ensure the accuracy and reliability of accounting procedures and information that result.
- Audits of Information Systems.
- Regulatory audits to ensure compliance of systems implemented legal and regulatory requirements.
- Management Audits interested in the quality assessment of the approach of risk measurement and assessment of internal control by managers.
- Special missions at the request of the Directorate General.

5.2 Missions of DAI[3]:

DAI missions are detailed as follows:

- Identification of risks associated with activities of the entity being audited.
- The evaluation of the quality of internal control systems and processes risk management.
- The recommendation of appropriate solutions to the problems noted, and the monitoring of the plan of action and the effective support of the recommendations.
- Communication to the executive body and the Audit Committee the results of its missions.

5.3 Relations of DAI:

It is under the direct authority of the Chief Executive Officer (CEO) and directed by a Director hierarchically under the CEO.

The Manager is responsible for:

- Set in its management of working.
- Write the audit program and engagement letters.
- Following the completion of the audit program and report to the Audit Committee of its execution semiannually.
- Validate missions conducted by teams of auditors and intervene on strategic missions.
- Presenting the audit reports to senior management.

As Internal Audit concerns all activities and functions, DAI maintains relationships with all structures of the bank, particularly:

- The Audit Committee.
- The Internal Control Supervisor.
- The Risk Management Directorate.

[3] Pursuant to Circular No. 1922 of December 28, 2006

- The General Inspection.

It also maintains relations with various external partners and auditors.

6. Directorate of Management Control (DCG) :

The Management Control Department includes:

- Planning a Budget and Forecasting Department;
- Monitoring Department of Performance and Development System Management Control;
- An Administrative Service.

6.1 The Mission of the DCG[4]:

The Management Control Department is involved in the definition of the bank's strategy to guide management towards achieving the goals set under the guidance of the Directorate General.

- It contributes to the bank's steering to measure performance against objectives.
- It works with the bank's structures to the declination of the operational objectives and the development of action plans in line with the overall strategy of the bank.
- It examines the budget proposals of responsibility centers ensuring consistency of objectives with the strategic directions.
- It synthesizes information from the central structures and formalizes the consolidation of the company's budget.
- It shall notify the spending authorities to all structures of the bank, after approval by the competent bodies.
- After notification of the budget to different responsibility, it shall monitor the implementation of the budget, with the structures analysis, the causes of differences between forecasts and achievements, and propose remedial measures.
- It ensures the use of resources by the structures in an efficient manner.
- It designs, together with the business lines, the tools needed to monitor and using the steering bank's activity (reporting, dashboards,) based on quantitative and qualitative information collected.
- It produces management reports and periodic reports, based on data from the bank's structures.
- It participates in the definition of management control procedures.
- It sets up the management control system in collaboration with the services of the organization and IT.

6.2 Relationship of the DCG[5]:

The Management Control Department reports hierarchically to the Finance Division.

- It exerts its functional authority with respect to the object of his mission.
- It maintains functional relations and cooperation with the central departments for the quantification of objectives and the preparation of development plans, annual and periodic reports plans there.

[4] Circular No. 2019 of 03/06/2012.

[5] Circular No. 2019 of 03/06/2012.

Section 2: Internal Audit of the device granting of investment loans in BNA

This section is devoted to auditing the investment grant and credit monitoring device at the BNA agencies. We chose to treat because of the investment funds of their long duration. They are the type most requested credit.

They therefore require a more rigorous assessment in particular because of difficulties in gathering information on the actual progress of funded projects.

1. The preparation phase (study):

This first phase corresponds to the onset of our mission, it takes place at the Internal Audit Department and is the preparation work to be done on the ground, it is characterized first by issuing an order (Annex No. 01) engagement; However, no work order has been issued in the course of our work, because it is not an official mission.

This phase takes place following four (04) steps each giving rise to the establishment of a document, namely:

- ➢ The recognition step (A plan of approach).
- ➢ The risk analysis step (A table of forces and apparent weaknesses (TFFA)).
- ➢ The stage of the targeting (A policy report).
- ➢ The step of determining the tasks (A verification program).

1.1 The recognition step:

Taking knowledge of the audited field:

This stage of becoming aware is through the documents and information required to understand the process of budget authorizations at the agency.

So we relied on:

• The letter No. 1741 of 10 November 1997 on the organization of BNA agencies. Investment that offers were presented in the previous section. Therefore, we will describe here the grant system and investment credit management at the agency BNA.

• Circular No. 1994 of 26 July 2011 authorities and powers of credit.

• Circular No. 1854 of 4 August 2003 relating -CCI- Investment Credit Agreement.

• Circular No. 1935 of 19 June 2007 on the instruction of a credit;

• Circular No. 1476 of 24 April 1976 on the financing of investment professionals.

• Circular No. 1942 from 06 November 2007 study and appreciation of a credit application.

The organization credit service of the BNA agency and the different types of investment loans it offers were presented in the previous section. Therefore, we will describe here the grant system and investment credit management at the agency BNA.

a. Process for granting investment credits:

To describe all the tasks facing the various speakers at the agency to meet the demands of credit, we have chosen to use "narrative", a tool very responded by internal audit since it allows description and analysis.

- ✓ **The narrative:**

The investment loan is a financing whose duration is between 5 and 10 years for the creation of financing a business, an expansion program or purchase of equipment.

The granting of investment credit process begins with the receipt of a request for funding accompanied by a file containing all the parts that takes the disbursement of funds. Recall that for loans rejected, the process ends with the notification of the rejection to the client if it does not appeal.

- **Powers of decision:**

Delegations of authority are defined by Circular No 1994 of 26 July 2011 as follows:

Table No. 09: Investment credit decision relating Powers (unit: DZD)

Delegation of powers	Board of directors	central Committee credit	Committee Regional credit	directors agency
ceilings powers investment loans	unlimited	10,000,000,000.00 For the public sector 1,000,000,000.00 for the private sector	50,000,000.00	10,000,000.00

Source: Circular No 1994 of 26 July 2011.

- **Investment credit processing time:**

The records within the powers of the agency must be processed within fifteen (15) business days of final acceptance.

Those under the DRE power must be transmitted to him by the Agency no later than eight (08) business days of final disposal. ERD must render its decision within fifteen (15) working days from receipt of files.

When records fall within the powers of the Central Committee of credit, the agency must forward them to the concerned credit management in eight (08) working days of receipt. It must decide the fate of loans requested within ten (10) working days and present the decision to plug the central committee to sanction credit.

- **Stages to processing a credit report:**

We will try, in this point, to outline all the steps of processing a credit record of its receipt to archiving.

- **Receipt of the file:**

The file must be submitted in three (03) copies. Upon receipt, the responsible study must verify that the credit application is handwritten and signed by the officer of the case or any other person authorized to do so and that the file contains all the administrative and legal documents, accounting and tax, economic, financial and technical.

If the file is considered incomplete, the customer is asked to complete it. By cons, if deemed admissible, the head of research takes the study commissions of the client's account or folder prompt to fulfill them, accusing her reception and saves the file in the registry devoted to this effect.

- **Study of the file:**

Before reviewing the file, it is necessary to make a site visit. When the folder within the power agency, the Research Officer and the Director of the agency that move. After the visit, a report-established and received.

When the folder within the power agency, the Research Officer conducts:

- The compliance verification and authenticity of all documents submitted.
- The establishment of a request from the credit bureau for the demands of higher credit 2,000,000 dinars.
- The study of the viability of the project (market analysis, commercial, technical and cost).
- The study of the profitability of the project before and after financing.
- The risk assessment should be taken with the relationship.
- The establishment of the model credit application ST 219
- The presentation of the file to the Director of Agency for punishment.

When the credit application within the powers of the regional credit committee, the Agency shall forward to the ERD model linking the credit application ST 44 duly accompanied by credit and customer appreciation card within a period not exceeding not eight (08) working days after the final application is submitted.

Then the charger of DRE studies proceeded to consideration of the case, the design of the Ruling and presentation to the regional credit committee for sanction within fifteen (15) working days from the record of receipt.

If the amounts applied exceed the investment powers of the credit by DRE, the agency established the ST 44 and customer appreciation card and transmits accompanied the file to the appropriate credit management in a period not exceeding not eight (08) business days following the date of final submission of the file and transmits a mirror file to the DRE for information and monitoring.

The head of research of the relevant credit management reviews the file within ten (10) business days after receipt and establishes the decision to form duly completed by the reasoned opinions of members of the bodies concerned for his presentation to the central Committee to sanction credit.

Regarding the cases within the Commission's powers of Directors, the procedure is the same as those within the powers of the central credit committee only after study, the case is presented to the President of the Board for sanction.

- **Sanction of the credit application:**

If the Director denies the request for funding, research manager notifies the negative opinion clear to the client in writing resuming (or) reason (s) for rejection within two (02) working days.

In case of favorable opinion, the research officer shall notify his client containing all the reservations and conditions and is establishing the authorization ticket. The charge of studies must also save the file in the Delta V8 system and seize all the conditions for the loan. Then, the head of research makes the collection of guarantees that must be validated by the legal department and accounting.

- **Editing the Investment Credit Agreement (ITC):**

It must be established in three (03) copies and resume the identity of the parties of the contract and all the conditions of the loan and collateral collected. It must also designate the competent court for any disputes. The agreement is signed by both parties and recorded in taxation.

- **Promissory notes Signature:**

After signing of the ICC, the customer is required to sign a promissory note for the main channel and another for the interest in recognition of its debt to the bank. Furthermore, the Research Officer conducts editing the amortization table.

- **Monitoring of the commitment:**

The release of funds is conditional on submission of supporting documents. If said parts are in accordance with the object of credit, the funds are released and the credit is accounted for at each maturity date, the system can automatically debit the account of the relationship of principal + interest + commissions. A debit advice is sent to the client for each refund.

Note: we limited our mission to fully repaid loans and exclude the repayment process and arrears management because we believe that it should, in itself, subject to an internal audit.

b. Development of the plan of approach:

The credit management process is complex and multiple actions. Therefore, the audit team should conduct a decomposition process in basic tasks that can be audited effectively.

Once the decomposition done, we proceed to the identification of specific risk auditable object and the enumeration of internal control procedures implemented or to implement to achieve each objective.

At the end of this first phase, we planned the mission and established the plan of approach in attached **(Annex No. 02).**

1.2 The risk analysis stage:

We established the table of forces and apparent weaknesses (TFFA)

Table 04: The risk table

Goals	significant risks	Evaluation	Internal control systems
1- Customer reception			
Listen and customer of the Council as to its actual needs (Inform the customer about financing offers)	- Image Risk (Loss of potential customers due to poor reception / customer service or misinformation)	strong	- Personal qualified and trained home. - Availability of full prospectus and regularly updated Update on funding offers from the bank at all agencies
Formalizing the offer of proposed financing to the customer on paper.	Non-compliance Directives executive management.	strong	Existence of internal procedures providing for the systematic delivery of a financing offer formalized in writing on standardized media

Funding Applications must be submitted to the nearest branch of the headquarters of the company	Poor distribution of the bank's portfolio (credit risk concentration in some other agencies).	Low	Make available to the bank's network of geographical maps demarcating the operating range of each agency.
2- Receive credit files			
Cancellation of registration by the applicants concerned	Non-compliance with directives of DG Regulatory Risk.	strong Way	Systematic verification of the identity of the customer who deposited the credit.
Ensure that the files submitted by clients are complete and authentic (according to the conditions of funding and form)	Risk of fraud - formal requirements of Violation regarding the constitution of credit. - Receipt of incomplete records. - Insufficient information for decision-making based.	Way strong Way Way	Acknowledgment systematically given the record of the applicant. - Make available checklists account managers verification of applications received - Formalize the credit records of the verification procedure received and the validity of the component parts.

Any accepted credit application must be recorded in a register dedicated to this purpose	Loss of documents or records	strong	Opening a registry or directory to save files received
The acceptance of a credit report is marked by a numbered receipt the order immediately timeline to deliver to the applicant	- Issuing receipts on fictitious file. - Burn audit trails. - Fraud - Monitoring fault records.	Way strong Way Low	Computerize the verification procedure and registration of applications received and the issuance of receipts.
3- Study of the credit application			
- Ensure that the requested credit is a credit caused	- Risk to extend credit to an insolvent customer (risk capital of non-recovery)	strong	- Refer to the "credit bureau" before any financial analysis of the project
Funded projects must be economically viable	Risk of funding projects which are not viable, so there is risk of non-repayment of capital penny	Way	Conduct market research before each credit authorization.
Determine the ability of the borrower to face adversity	Risk of default	strong	Formalize the process of analysis of the financial health of

			the client and its financing needs.
4. Decision-making by the Finance Committee			
Any decision must be approved by an authorized committee, based on a study and thorough analysis of the credit.	- Risk of fraud (embezzlement). - Regulatory Risk - Risk of non-repayment.	Way Way strong	Credit committees are required to justify their decisions to levels documented records
-Ensure compliance with the delegations of authority regarding investment lending; - Ensure that the credit decision is notified to the customer on time	- Acceptance of a credit application without permission. - Failure to comply with the committee's decision.	strong strong	Making a commitment authority for each accepted credit
Any rejected application must be formalized, clear, reasoned, objective and made known to the applicant	- Rejection of unmotivated records. - Damage to the bank's image.	Way strong	Clearly explain the reasons for rejection. Promote transparency.
5- Release of funds			

All credit must be approved by a credit committee and materialized in writing	- responsibilities dilution risk - non-repayment risk	Way Way	Each release should be covered by a commitment authority
Any authorization shall be covered by collateral appraised	- Risk of overvalued collateral collected	strong	- Establish the Procedure Collection of guarantees before releasing funds. - Any warranty must be validated by the legal department
The release of funds should be made by the responsible authority	Dilution of responsibility for problems	Way	Fund release procedure provide built-in controls in the information system.
6- Monitoring refunds			
- Ensure compliance with the repayment terms.	- Risk of grant conditions haphazardly (affect the bank's image)	strong	- Determination of the repayment terms by nature and maturity of funding and formalized in a document.
- Ask about the project reality	- Risk of finance fictitious projects. - Risk of non-repayment.	Low	Regular Report of the progress of the funded project and its compliance

			with the forecast study by customer
Detecting signs of a possible unpaid	Risk capital and no refund	Way	-Procedures assessment of the bank's receivables. -Review of risk rating borrower. -Set up a warning system.

Source: Developed by ourselves in collaboration with our placement tutor.

✓ Risk assessment:

a. **The risk scoring table:**

Table 05: The risk scoring table

Frequency	**Note**	**Impact**	**Note**
very unlikely	1	Minor	1
Unlikely	2	Moderate	2
Likely	3	Important	3
Very probable	4	Major	4

Source: Developed by ourselves in collaboration with our placement tutor.

b. Association torque (frequency / impact) for each risk:

To assess the risks inherent in the revised process, we will have to look at the impact of risks, and their frequency of occurrence. To do this, we will consider the results of the observation of the process.

This assessment focuses on two points:

• The assessment or measurement of impact.
• The assessment or measurement of the frequency of occurrence.

Table 06: Association of torque (frequency / Impact) for each risk.

No.	Event risk	Frequency	Impact
1	Reputation risk (damage to the image of the bank)	2	4
2	customer loss	1	4
3	Granting of unauthorized credits	1	4
4	Non-compliance with internal guidelines	3	4
5	Boundary violations in various	1	4
6	Non-compliance with regulatory requirements	1	4
7	Acceptance of incomplete files	2	3
8	Acceptance of forged documents	1	4
9	Loss of information or legal documents	2	4
10	Non-compliance with processing times of financial records	4	3
11	Risk of fraud (internal or external): nonexistent client, false identity of the customer.	2	4
12	Loss on net banking income due to non-collection of fees and charges on customers	1	4
13	incorrect assessment of the position	2	4
14	Incorrect assessment of the personal information of the borrower	1	3
15	Risk of default	2	4
16	Risk of overvalued collateral collected	1	4
17	Credit indebtedness	1	3
18	Failure of the information system	2	4
19	Taking wrong decision	1	3
20	Risk of change in the fair value of the property	2	4

Source: Developed by ourselves in collaboration with our placement tutor.

✓ **Final evaluation method of risks for granting investment credit process**

According FRAMER diagram, the final evaluation is the result of the product of the two assessments (frequency * impact) and takes the values: High, Medium, and and Low.

- The risks located in areas which trading is 1/2/3 are low risk
- The risks located in areas which trading is 4/5/6 are medium risk.
- The risks located in areas which trading is 8/9/12/16 are strong risks.

Table 07: Table explaining the evaluation of risks related to investment credit method

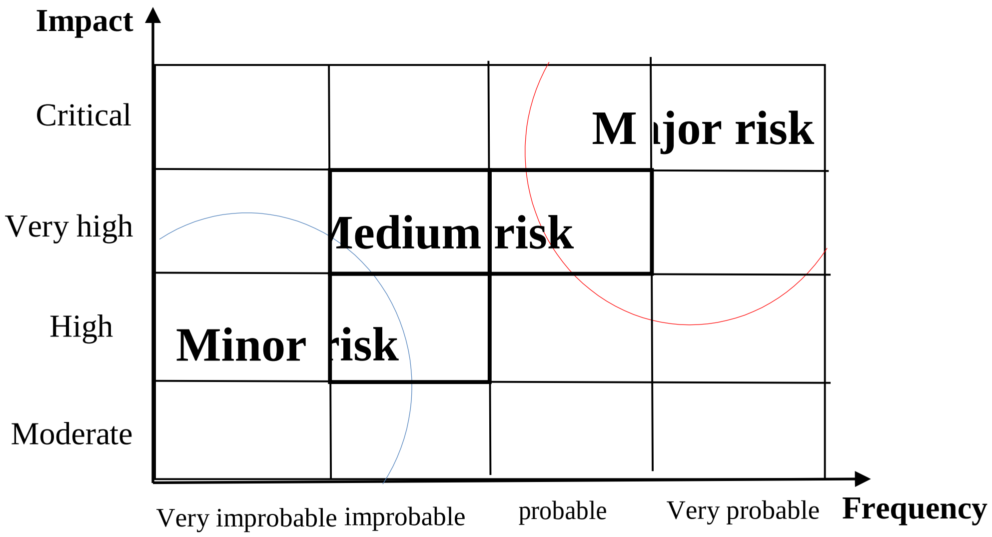
No.	Event risk	Frequency	Impact	Frequency Impact	Evaluation
01	Reputation risk (damage to the bank's image)	2	4	8	strong
02	customer loss	1	4	4	Way
03	Granting of unauthorized credits	1	4	4	Way
04	Non-compliance with internal guidelines	3	4	12	strong
05	Boundary violations in various	1	4	4	Way
06	Non-compliance with regulatory requirements	2	3	6	Way
07	Acceptance of incomplete files	1	4	4	Way
08	Acceptance of forged documents	2	4	8	Way
09	Loss of information or legal documents	2	3	12	strong
10	Non-compliance with processing times of financial records	4	3	12	strong
11	Risk of fraud (internal or external): nonexistent client, false identity of the customer	2	4	8	strong
12	Loss on net banking income due to non-collection of fees and charges on customers	1	4	4	Way
13	incorrect assessment of the position	2	4	8	strong
14	Incorrect assessment of the personal information of the borrower	1	3	3	Low
15	Risk of default	2	4	8	strong
16	Risk of overvalued collateral collected	1	4	4	Way
17	Credit indebtedness	1	3	3	Fable
18	Failure of the information system	2	4	8	strong
19	Taking wrong decision	1	3	3	Fable
20	Risk of change in the fair value of the property	2	4	8	strong

Source: Developed by ourselves in collaboration with our placement tutor.

- ✓ **The mapping of the risks of investment credit granting process**

From the results obtained above we will achieve a mapping of risks in the process of granting investment loans presented in the form of following graph:

Figure N°06: Risk mapping



Source: Developed by ourselves in collaboration with our placement tutor.

This graphic has allowed us to obtain a classification of the main risks relating to the granting of investment credit processes in three areas namely:

- The low risk area
- The area of medium risk
- The high risk area

At this level, it is important to focus on the highest risks to try to make them converge thereafter to average or low risk, by offering adequate controls.

1.3 The stage of selection of objectives

Referring to the risk analysis performed in the previous step, we shall select the objectives assigned to the mission.

There are two different types of objectives:

1.3.1 Overall Objectives of the mission:

These goals are generally common to all internal audits of insurance. They immediately follow from the purpose of any internal control system.

1.3.2 Specific objectives:

These objectives are specific to the internal audit mission on the granting of investment credit process.

All these objectives are listed in the "policy report" following:

ORIENTATION REPORT
General objectives
➢ Ensure the protection and safeguarding the bank's assets

➢ Ensure compliance Bank of Algeria in terms of credit and the bank's hierarchy guidelines ➢ Ensure the effectiveness and efficiency of operations ➢ Ensure the quality and reliability of information ➢ Ensure compliance with the repayment terms ➢ Ensure that regular monitoring of the funded projects is realized.
Specific objectives
❖ Organization of the credit function: • Check the application of the flow chart • Check the strict segregation of duties. • Assess compliance with the delegations of authority for granting credit. ❖ Customer reception procedures and filing of credit reports: • Ensure the filing of credit applications to the nearest branch of the company's headquarters. • Check that credit applications received are in line with the EPS of Credit Policy. • Enjoy the speed and efficiency of processing credit applications. ❖ Analysis of loan applications • Ensure that any funding request is formalized by a dossier fulfilling the requirements of funds and shapes. • Ensure that credit applications are subject to a rigorous economic viability study. • Ensure that the acceptance of funding file is marked by a receipt. ❖ Decision-making by the finance committee: • Ensure compliance of the decision making process in granting credit, including delegations of authority. • In case of favorable opinion, to ensure that the authorization is formalized commitment and the commitment limits are entered. • In case of negative opinion, to ensure that the refusal is notified to the client clear and motivated. ❖ Procedure Release of funds: • Ensure the collection of guarantees and their assessment before the release of funds • Ensure that the funds released are performed by authorized persons • Ensure that the released funds are used exclusively to finance the projects concerned. ❖ repayments monitoring procedure: • Ensure compliance with the repayment terms • Ensure that regular monitoring of the funded projects is realized.

Source: Developed by ourselves in collaboration with our placement tutor.

1.4 The step of determining the tasks:

After raising the potential risks and defined the objectives of the mission, it is necessary to list all the tasks and to conduct investigations on the ground to achieve the mission objectives.

So therefore the tasks to perform are checking the monitoring of the process defined in the field of knowledge-making step audited and implementation of all internal procedures in granting investment credits.

2 - The realization phase:

This phase corresponds to the field work, the "departure" of the mission is given by the opening meeting, first meeting between auditors and those responsible for the "Service Credit and Commitments" of the agency.

This first meeting is presentation of auditors and the exposure of the main objectives of the mission.

The implementation phase is for the internal audit team to carry out all the work listed in the audit plan to achieve the assigned objectives.

The auditor during this phase makes use of several internal audit tools including:

- Physical observation to identify the strengths of the audited structure and detect malfunctions and anomalies.
- Interview and direct confirmation in order to collect the necessary information and confirm some irregularities and weaknesses.
- The statistical survey to formulate an opinion on the quality and regularity of financial records.
- The Internal Control Questionnaire to assess the degree of implementation of the procedures manual.

Listeners do not have to rely on the information collected, they must perform verification tests on samples of investment credit records to validate the Internal Control Questionnaire: verify the reality of positive responses and measure the impact of negative responses.

This way, the listener will be able to check the veracity of the strengths and measure the impact of malfunctions and defects, malfunction Each statement worthy of report results in the establishment of a FRAP (Revelation sheet and problem Analysis), it takes up the problem, its causes, risks and recommendations to solve the problem at its source.

We will present in the following:

- ✓ The Internal Control Questionnaire.
- ✓ Leaves of Revelation and Problem Analysis "FRAP" to document the problems noted.

2.1 The internal control questionnaire "ICQ"

Table 08: Internal Control Questionnaire "ICQ"

Questions	Yes	No	N / A	observations
General organization of the credit function				

Is there a chart of a type of agency "Main"?	X			Refer to the joint letter No. 1741 of 10/11/1997
If it exists, is respected?	X			
The tasks and responsibilities of the "credit commitment and service" are they defined?	X			
Are credit granting related delegations of authority clearly defined? Are these delegations met at the agency?	X			
Reception customers and deposits of credit files				
Is the demand for credit knowledgeable?	X			Refer to Circular No. 339, 12.24.1971
Are credit applications filed at the nearest branch of the company headquarters?	X			
The customer is it informed of the various investment finance offers available to the bank	X			
Are there procedures governing the treatment and study of investment credit records manuals in the agency level	X			
If so, are they Textbooks regularly updated?	X			
These manuals are they easily accessible?	X			
These manuals they formalize all procedures relating to the treatment and control of investment credit records?		X		
Are the funding requests handled by account managers trained and qualified?	X			
Treatment demand he performs the reception day?	X			

The account managers or "responsible for receiving credit records" they have service manuals?	X			
Said she is demand recorded in a register designed for this purpose?	X			Refer to Circular No. 1935 19/06/2007
Should the loan application be accompanied by a well formalized credit?	X			
Are there a check of the applicant Client ID financing or its agent upon receipt of the file	X			
When the application is filed by a person appointed by the borrower, there is-it systematically check that it has a power of attorney?	X			
The folder is it received in three (03) copies?	X			
Is the compliance of files received checked before handing the receipt to the customer?	X			
Is there a systematic registration process in information system applications received?	X			
The legal service-checks he authenticity of documents received before any analysis of the credit application?	X			
Analysis of the demand for credit				
The record he has a very detailed technical and economic study? (The information provided by the customer are they checked?)	X			Refer to Circular No. 1935 19/06/2007
The head of research he conducts site visits of business credit applicant?	X			
Is it prepared a report of the visit?	X			
The charge he conducts studies to verify all financial statements provided by the relationship?	X			

Financial analyzes are they sufficient?		X		Lack of transparency between the bank and the customer (not actual declaration)
Is credit analysis of the formal procedure?	X			
Does the head of research a study of the viability of the project?	X			
Applications for funding are they, from the hand of the borrower? -signees? -dates?	X			
Is the project's profitability properly evaluated?	X			
Are the guarantees retained supported?	X			
Insurance: death / disability and risk Are tax: -known? -proposed borrowers concerned?		X X		
The processing of credit applications is it within fifteen (15) days from the date of the final submission of the file?	X			Refer to Circular No. 1942 06/11/2007
Analysis of decision-making by the finance committee				
The credit granting decision she falls?	X			
Are there a defined time between receipt of the loan application and the response to it?	X			
The committee he meets before the decision?	X			
The decision of the committee she made on the basis of Note "result of the study"?	X			

Are there ways and means of information and communication of decisions on the fate reserved for funding applications? -these ways are they fast? -the time are they respected?	X			
Is the review of the financial file by the committee sanctioned by a decision taken on the basis of consensus?	X			
The decision gives does in the establishment of a record -Is it focused on the PV the decision taken? Is -the PV signed by all Members of this committee? Is -The reasoned decision? -A copy of PV it is poured into the Concerned funding application?	X			
When the decision is favorable - Is it established a ST authorization ticket 124? - This ticket is it signed by two (02) persons authorized at the agency level? - The agreement is it notified the customer in writing Formalized? - Notification is it within two (02) business days of the sanction?	X			
When the decision is unfavorable - Rejection is he notified the customer in writing Clear? - This writing he describes the motivations Committee?	X			
Are authorized funding covered by an authorization letter crafted on paper?	X			
If so, this letter of authorization is it established on the basis of the minutes of	X			

the fundraising committee structure which raises the-making?				
Is authorization letter signed by the director of the emitting structure or it's duly appointed replacing? A checking account is it always open to the customer following the favorable decision granting investment credit?	X			
Are folder management fees collected systematically?	X			
Reports of guarantees and release of funds				
Are there any guarantees collection procedure before release of funds?	X			
Are the guarantees assessed by an independent expert?	X			
Are the guarantees collected validated by the Legal Department before release of funds?	X			
The funds released are they covered by a credit authorization		X		
Are the funds released covered by adequate guarantees?	X			
Any release of funds Is Authorized by the finance committee?	X			
Is the agreement signed by the client and the agency director?	X			
Monitoring of repayments				
Is there a qualified person responsible for Tracking refunds?	X			
Are there systematic recognition of liabilities (off-balance) upon the establishment of the credit approval and signing of the credit agreement (the beginning of the credit period of use)?	X			
The collection of repayments is it automatically to the customer's checking account by the information system?	X			

For the same borrower, delays are they all to date?		X		
The time demands are they subject to analysis			X	Depending on the type of financing
The deadlines are they followed?	X			
At maturity deadlines, do we stimulus The borrower?	X			

Source: Developed by ourselves in collaboration with our placement tutor.

❖ **The analytical and separation of investment credit cycle tasks**

Table 09: The analytical and separation of investment credit cycle tasks

tasks	Nature task	Charge study	Credit Department Manager	director agency	Committee funding
Receiving the file	Execution	X			
Examining the authenticity of the constituent parts of the received file.	surveillance		X		
The recording of the record in a special register.	Execution	X			
The recording of the record in a special register.	Execution	X			
Decision making.	Commitment				X
Customer notification of the funding decision.	Execution	X			
Signature Notification	Commitment			X	
Establishment of Contract.	Execution	X			
The collection of collateral.	Commitment	X			
Contract signature	Execution			X	

Release of funds	Execution			X	
Signature of the bank check.	Commitment			X	
The record accounting of mobilization.	Validation			X	
Control of mobilization operations.	surveillance			X	
Monitoring of repayments.	surveillance	X	X		
Treatment unpaid.	Execution	X	X		

Source: Developed by ourselves in collaboration with our placement tutor.

2.2 Leaves of Revelation and Problem Analysis "FRAP"

Table N°10: Leaves of Revelation and Problem Analysis "FRAP"

Problem: Partial compliance of the organization chart of the agency
Facts
The credit department within the agency does not comply with the organization under the joint letter No. 1741 of 10/11/1997 and there is no strict division of labor between for study.
Causes
• Lack of staff within the agency, volume of files to be processed and many customers • The study managers do not receive regular training enabling them to ensure their tasks properly • Lack or absence of supervision by officials
Risk
• Accumulation of tasks on one or more research officers. • Lack of speed in the processing of files and communication of decisions to customers. • Lack of rigor in analyzing credit applications.
Recommendations
• Establish a responsible plan to recruit qualified studies that allows to overcome the lack of numbers found. • Provide staff training in place so that it can carry on the ground the targeted organization by the Directorate General and properly perform its functions.

• Create Account Managers positions that would receive customers, their records and advice on their real needs and share the customer portfolio on these CROs.

Problem: Non-compliance with the principle of separation of duties
Facts
Decisions to grant credits and licenses and the release of funds are insured by the Director of the agency.
Causes
• The agency credit committee is not established. • Inadequate job descriptions and functions to be performed within the agency. • Lack of job descriptions. • Lack of a manual of procedures for granting and credit management.
Risk
• High risk of misappropriation of funds and / or grant not caused credit (risk of fraud). • High probability of error when validating operations (operational risk).
Recommendations
• Development of a procedures manual explaining all the steps for granting and credit management. • Introduction of a credit committee in agency decision-making in granting loans. • Distribute a detailed description of the tasks to all agencies of the BNA network to better respect the principle of separation of duties.

Problem: Failure of the analysis procedure of the solvency the borrower
Facts
Diagnosis on a simple financial analysis without integrating factors enabling better risk estimation (the industry, the capacity and market characteristics, performance and sectorial perspectives, etc.)
Causes
• Lack of standardized framework. • Lack of a clear and simple procedure.
Risk
• Risk-taking without full extent beforehand.

• Incorrect assessment of credit risk. • Risk of finance are not economically viable projects which induces a risk of Non-use / non-repayment.
Recommendations
• Conduct market research before each funding authorization (study Sector and product). • Develop a module system to effectively diagnose funding. • Formalize the funding risk analysis procedure.

Problem: Lack of rapid processing of credit files investment
Facts
It falls within the power agency, the study of investment credit files is often late and without observing the period of fifteen (15) working days. Thus, almost 50% of investment loans are not treated on time by Circular No. 1942 from 06 November 2007.
Causes
• Lack of manpower. • Number of files too large within that agency. • Lack of supervision.
Risk
• Damage to the bank's brand image. • clients leak to other competing banks offering deadlines Shorter case processing.
Recommendations
• Establishment of a responsible plan to recruit qualified studies to meet the demand for investment loans on time.

Source : Developed by ourselves in collaboration with our placement tutor.

3. The concluding phase:

This phase marks the end of the audit engagement, is for the audit team to draft the audit report that will include the main dysfunctions and abnormalities identified and presented during the previous phase and the recognized strengths on the ground.

The audit report must be presented so that malfunctions and abnormalities are ranked in descending order of severity, it is then forwarded to the Chief Executive Officer (CEO) with a synthesis.

After finalizing the audit report and its transmission to the CEO, DAI BNA establishes a monitoring schedule recommendations, these should be highlighted with setting deadlines for implementation with the audited.

Conclusion

In this chapter we insisted on the implementation of a maximum of concepts covered in theory.

According to the practical study that we conducted in the National Bank of Algeria, so we reviewed the investment credit area that later we have broken down into a series of tasks which allowed us to detect risks at each stage.

We tried in our study highlight the main stages of development of an audit. To do this, we followed the methodology adopted by IFACI.

Therefore, our mission is based around three main phases: the preparation phase, the implementation phase and the finishing phase.

Therefore, the recommendations that we have proposed are not perfect but represent an attempt on our part to improve the internal control system.

General conclusion

After our research study, we tried to answer the initial question was "How the internal audit helps there in improving the financial performance of the bank? »

We arrived at the conclusion that the internal audit function at a financial institution is a deterrent for potential credit risks.

Indeed, internal audit also provides a preventive function in itself, not only through the assessment mission of the effectiveness of internal control system, but also through the various recommendations prodigal to improve the various internal processes during audits carried out and to provide reasonable assurance control of all credit risk that could affect the financial institution.

To ensure the role assigned to it and ensure its credibility, the internal auditor should adopt a standardized approach and approved by all practitioners of the function, allowing both to shed light on the existing irregularities and ensure the rapid and effective support

In addition, professional standards and code of ethics that govern the profession highlight the climate of trust and integrity that must broadcast the listener and the critical spirit which he must exercise.

It is this expertise that the auditor should use to diagnose the exposure of the institution to risk.

The evaluation of the internal control system of investment lending, enabled us to identify a number of shortcomings, namely:

- Respect part of the flow chart of the agency.
- Not respecting the principle of separation of duties.
- Failure of the analysis procedure of the creditworthiness of the borrower.
- Lack of speed in processing investment credit records.
- And to go after the things we tried to propose recommendations on:
- Create Account Managers positions that would receive customers, their records and advice on their real needs and share the customer portfolio on these CROs.
- broadcasting detailed description of the tasks to the entire network of agencies
- BNA to better respect the principle of separation of duties.
- Allocation of market research before each funding authority
- Establish a module system to effectively diagnose funding.
- Establishment of a responsible plan to recruit qualified studies to meet the demand for investment loans on time.

When we are able to confirm our assumptions as follows:

- HP1: Internal audit is an independent and objective activity that gives an organization assurance on the degree of control of its operations and advice to create added value by following international methodology. "**Confirmed**"
- HP2: The performance of a bank is related with the efficiency and effectiveness of its agencies. "**Confirmed**"
- HP3: Internal audit is a mission that contributes in the control of risks of bank credit. "**Confirmed**".

Getting those results is not an easy task, because the difficulties we have limited such as lack of information about the bank internal audit and especially the confidentiality and sensitivity of the bank’s contact information.

The realization of this memory has allowed us to acquire the technical means to conduct an internal audit engagement within a bank. It also allowed us to understand the internal audit function in the control of risks of bank credit.

Finally, I would like that the limits of our work are filled by a sequence, through further studies can enrich our there.