

## The impact of the quality of internal audit on the value of the economic entity: the mediating role of operational performance indicators: an applied study

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**Abstract:** This research aims to study the impact of the quality of internal audit on the indicators of operational performance and its reflection on the value of the economic entity and included the community and sample of the research eight commercial banks for the period from (2019-2023) and the quality of internal audit was measured through an examination form to show the extent of application of international standards in the work of these banks. The operational performance indicators were measured by the indicators return on assets and return on equity. The measurement of the value of the economic entity was measured by Topin's Q. Including the market value of assets on the book value of assets has been using statistical methods such as the mean and standard deviation and coefficient of variation C.V to show the relationship between the variables has reached the researcher to a set of conclusions and recommendations, the most important of which is that there is an impact and a relationship of statistical significance between the quality of internal audit and operational performance indicators and between the indicators of operational performance and the value of the economic entity and between the quality of internal audit and the value of the economic entity through the mediating role of the indicators of operational performance either the most important recommendations. It included attention to the quality of internal audit, obliging the banking economic entities listed on the Iraq Stock Exchange to apply the international standards issued by the Institute of Internal Auditors (AII), the interest of banks in ways and strategies that lead to improving their operational performance, and paying attention to the value of the economic entity, which is the measure for investors and shareholders to invest their money in these economic entities.

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**INTRODUCTION:** The concept of internal audit has witnessed a gradual development in line with the successive developments in economic life, so internal audit is no longer just a means to ensure the protection of the assets of the economic entity only, but has evolved into a set of interrelated elements and components developed by senior management to ensure the achievement of its objectives and that one of the factors that led to increased interest in internal audit (the large size of establishments in modern economic life. The necessity of management to delegate powers and responsibilities to some sub-departments, the transformation of the audit process, scientific and technological development, the issuance of international quality standards, the increase in failures of economic entities). The quality of internal audit has a significant and clear impact on the indicators of operational performance, as quality is defined as compliance with international standards for the practice of the internal audit profession through the development of executive managers to develop appropriate procedures and methods that facilitate the internal audit process and the quality of internal audit can be measured. The concept of operational performance is a more comprehensive concept of performance, which represents the aspect of efficiency that is based on the use of rationality in achieving the best use of available resources, as it is done by performing operational and financing operations and contributes to the development of efficiency and providing competitive advantages for economic entities in achieving and maximizing the resources of business institutions through many measures and indicators, the most important of which are (return on assets, return on equity, net cash flow from operating activities, Share of operating cash flows). The measures and indicators of operational performance aim to address the shortcomings in the measures of financial

performance in addition to confirming that the resources and employment within the economic entity are used in the appropriate and correct manner and the extent of its reflection on the value of the economic entity where researchers and those interested in matters of financial management differed about the concept of the value of the economic entity, some of them considered that maximizing the market value of the economic entity is synonymous with maximizing the market value of ordinary shares, i.e. maximizing the wealth of owners, some of whom see Other than that, the concept of the value of the economic entity is one of the issues that have been widely discussed in economics and finance, and the Topin s Q scale is the best measure, which has been used in this research as the most used scale.

#### The first axis/research methodology, previous studies and the contribution of current research

This section includes research methodology in addition to a number of previous local, Arab and foreign studies that dealt with the subject of the research.

Research Methodology: The methodology includes the following:

#### **First: the problem of research: -**

The problem of research is that most investors and shareholders are looking for economic entities with good value in order to ensure obtaining profits or ensuring the return of their money, so economic entities today suffer from pressures characterized by instability as a result of rapid technological development and the increase and diversity of demand for services, whenever the value of the economic entity is good, this means that there is good operational performance and operational performance cannot be good unless there is quality of internal audit, the more auditing standards are applied Effectively and well within the economic entity will positively affect the indicators of operational performance and thus will reflect on the value of the economic entity positively and the research problem can be formulated with the following question (Does the quality of internal audit affect the indicators of operational performance, which is reflected on the value of the economic entity) and through this question the following questions were formulated:

- 1-Is there an impact of the quality of internal audit on the operational performance indicators?
- 2- Is there an impact of the operational performance indicators on the value of the economic entity?
- 3- Is there an impact of the quality of internal audit on the value of the economic entity?

#### **Second: The importance of research : -**

The importance of the research is highlighted by the importance of the relationship between the quality of internal audit and its impact on operational performance indicators and that operational performance measures focus on the long term and thus improve performance and also predictability, as well as show the extent of progress in achieving long-term goals and works to link the quality of internal audit with indicators of future operational performance and the extent to which this is reflected on the value of the economic entity as the importance of research emerges from the nature of the relationship between the quality of internal audit and the extent of its impact on the value of the unit The importance of the research lies in the scientific importance and represented by providing ideas for conducting more future studies related to the statement of the impact of the quality of internal audit on the indicators of operational performance and its reflection on the value of the economic entity, as well as the importance of research on the practical importance of investors and shareholders, as well as the government, accounting bodies and banks for the future implementation of the necessary procedures that can enhance the impact of the quality of internal audit in the indicators of operational performance and its reflection on the value of the economic entity.

#### **Third : Research Objectives:**

The research seeks to achieve a set of goals, the most important of which are:

- 1- Clarifying the concept of the quality of internal auditing and the types and review of accounting and financial studies that dealt with this concept, as well as addressing the most important international standards for internal auditing.
- 2- Shedding light on the concept of operational performance indicators and the most important of these indicators, and how to measure them.
- 3- Highlighting the concept of the value of the economic entity, how to measure it, and the most important factors affecting the value of the economic entity.
- 4- Providing a measurement model that shows the nature of the statistical and financial relationship between the research variables, represented by the quality of internal audit as an independent variable, operational performance indicators as an intermediate variable and the value of the economic entity as a dependent variable.

#### **Fourth: Research hypotheses: -**

Based on the research problem and in order to reach the answer to the questions of the study and achieve its objectives in solving the problem at hand, so the following main hypothesis was formulated (that increasing attention to the quality of internal audit can improve the indicators of operational performance, which will reflect positively on the value of the economic entity) and through this main hypothesis will branch out the following sub-hypotheses: -

- 1- There is a statistically and financially significant impact of the quality of internal audit on the operational performance indicators.
- 2- There is a statistically and financially significant impact of operational performance indicators on the value of the economic entity.
- 3- There is a statistically and financially significant impact of the quality of internal audit on the value of the economic entity.

**Fifth: Research Methodology:**

In order to achieve the objectives of the research and test its hypotheses as a treatment of the research problem, the researcher relied on the following scientific approaches:

- 1- Deductive approach: The research relied on the deductive analytical approach in the theoretical aspect with the help of official documents, theses and university theses, as well as periodicals and books.
- 2- Inductive approach: The research relied on the inductive approach in the practical side of the study based on the data included in the financial statements of banks in the Iraq Stock Exchange.

**Sixth: Means of data collection:**

- 1- The theoretical aspect: - Using and benefiting from what is available from Arab and foreign sources related to the subject of research, articles and scientific research published in Arab and international magazines and websites.
- 2- The applied aspect: - The use of data included in the financial statements of banks Research sample in the Iraq Stock Exchange for the period from 2019 to 2023 The research variables were measured using different measurement tools The researcher used a checklist to measure the independent variable (quality of internal audit) As for measuring the intermediate variable (operational performance indicators), they are measured through a number of indicators (return on assets, return on equity), as for measuring the variable The function (the value of the economic entity) is measured by the scale Topin s Q.

**Seventh: Research Limits:**

- 1- Spatial boundaries: - The field study will deal with a sample of Iraqi banks listed on the Iraq Stock Exchange (8) eight banks.
- 2- Time limits: - The financial statements of banks were approved for the time period required to prepare and prepare the applied side of the research for the period from 2019 to 2023, that is, for a period of five years and for being relatively recent.

**Eighth: Society and sample of research: -**

The research community is represented by all commercial banks listed on the Iraq Stock Exchange, while the research sample was limited to (8) eight commercial banks for the period from (2019-2023), and among the reasons for choosing the banks of the research sample are the following:

- 1- The banks of the research sample are all listed in the Iraq Stock Exchange, as well as the existence of integrated and audited financial reports from external audit bodies and all data and annual stock closing prices are available.
- 2- The banks of the research sample were one of the most active banks in trading their shares during the examination years and the least interruption of trading from other banks, and the quality of their ownership was not transferred or merged during the research period.

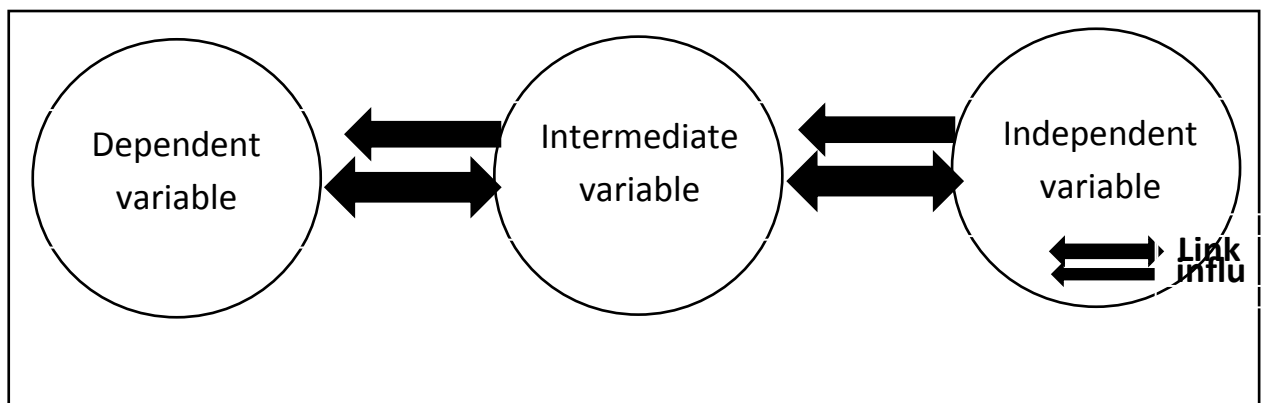
**Ninth: The default model of the search: -**

In light of the problem and to achieve the objectives of the research, the researcher built a proposed hypothetical model to diagnose the possibility of studying the relationship based on three variables :

Independent variable – quality of internal audit.

Intermediate variable – Operational performance indicators.

Dependent variable – the value of the economic entity.



Source: Prepared by the researcher Figure (1) The hypothetical model of the research

### **Previous studies:-**

First: Previous studies related to the quality of internal audit :

1- (Al-Burki, 2025) (The modified role of professional ethics on the relationship of influence of the auditor's independence and experience in the quality of internal audit) The study aimed to show the importance of professional ethics and its relationship to the auditor's independence and experience and its impact on the quality of internal auditing.

2- (Tabshoush, 2023) (The impact of the external auditor's dependence on the work of the internal auditor in controlling audit risks) The study aimed to find out the impact of the external auditor's dependence on the work of the internal auditor in controlling audit risks and highlighting the various risks faced by the internal and external auditor while carrying out their tasks and knowing the extent to which the external auditor depends on the work of the internal auditor and the importance of integration between internal and external audit and the advantages of cooperation, coordination and exchange of information between them.

3- (Hasan & Mubammad, 2024). Effect of Auditor Ethics, Audit Experience, and Auditor Motivation on Internal Audit Quality

(The impact of auditor ethics, experience in auditing and motivation on the quality of internal audit) The study aimed to verify how the auditor's motivation, audit experience and professional ethics are related to the quality of the audit result. This study was conducted in the central district of Halmahera, North Moluccas province, and questionnaires were used to collect data from (30) auditors or employees in charge of auditing the financial management of the state in Indonesia.

### **Second: Previous studies related to operational performance indicators:**

1- (Dakhil, 2022) (The impact of the application of International Financial Reporting Standards (IFRSS) on the level of accounting planning on the operational performance indicators of Iraqi banks) The study aimed to clarify the concept of accounting conservatism and operational performance indicators and their relationship to reporting standards International Financial Study and a statement measuring the impact of the application of International Financial Reporting Standards on the level of accounting conservatism and its reflection on the operational performance indicators of a sample of Iraqi banks.

2- (Al-Buqami et al., 2022) (Total Quality Management and its Role in Improving Operational Performance in Educational Departments in the Kingdom of Saudi Arabia) The study aimed to identify total quality management and its role in improving operational performance in educational departments in the Kingdom of Saudi Arabia, and the applied aspect of it was specialized on education departments in the Eastern Province of the Kingdom, as well as to identify the effectiveness of operational performance in it.

3- Ghosh, et al., 2020).). doption of principle Based IFRS and intercompany comparability of operating performance (Adoption of IFRS based on principles and comparability between companies for operational performance) The study aimed to qualify whether the adoption of IFRS compares the operational performance of companies through the application of accounting methods and the quality of financial reporting.

Third: Previous studies related to the value of the economic entity:

1- (Al-Jaafari, 2023) (The impact of integration between sustainability reporting and green innovation accounting on the value of the company) The study aimed to demonstrate the impact of sustainability reporting and green innovation accounting on the value of the company, as well as achieving several objectives, including the statement of the concept of sustainability, dimensions and methods of measurement, the statement of the concept of green innovation accounting, its dimensions and methods of measurement, the statement of the concept of company value and methods of measurement, and clarifying the relationship between variables.

2- (Khalil and Saghir, 2022) (The effect of disclosing the elements of sustainable development in increasing the value of the establishment / a field study on a sample of Sudanese industrial companies) The study aimed to show the role of disclosure of the environmental and social element in increasing the value of the company.

3- (Friske et al, 2023)

The impact of voluntary sustainability reporting on firm value: Insights from signaling theory

The aim of this study is to examine the relationship between voluntary sustainability reporting and company value as measured by Tobin's Q..

### **Fourth: The difference of the current study from previous studies: -**

After reviewing the researcher's messages, theses, previous sources, periodicals and previous studies, and searching on the Internet and within the limits of the researcher's knowledge, he did not find any study similar to the current study,

including the three variables, the quality of internal audit as an independent variable, operational performance indicators as an intermediate variable, and the value of the economic entity as a dependent variable, and this study may be one of the first studies that address this topic at the local level in the field of financial accounting.

**Fifth: What distinguishes the current study from previous studies: -**

A set of points that distinguish the current study from previous studies can be highlighted by the following points:

1. The current study is distinguished from previous studies by the fact that it linked the quality of internal audit with the extent of its impact on operational performance indicators and its reflection on the value of the economic entity.
2. The different measures used compared to previous studies and their new concepts, where the quality of internal audit was measured through an examination form to question people in the audit and control departments of the economic entities of the research sample, as well as measuring the relationship between the effects of operational performance and the value of the economic entity statistically and financially.
3. The current study relied on the practical application of the relationship between the quality of internal audit on the one hand and the operational performance indicators on the other hand, as well as the impact of the quality of internal audit and operational performance indicators on the one hand and its impact on the value of the economic entity on the other hand.
4. Previous studies focused and dealt with one or two variables only.
5. According to the researcher's belief, this study is one of the few studies that have been applied in Iraqi banks to users of information on future trends in the impact of internal audit quality on operational performance indicators and its reflection on the value of the economic entity.

**Sixth: Contribution of the current research: -**

The contribution of the current study can be summarized as follows:

- 1- The novelty of the topics of the study in the local and academic Arab side, which indicates that this study is one of the important studies in contemporary accounting thought in general and accounting thought in the field of internal accounting auditing in particular through the impact of the quality of internal audit on operational performance indicators and its reflection on the value of the economic entity.
- 2- The scarcity of accounting studies and research concerned with the impact of the quality of internal audit on operational performance indicators and its reflection on the value of the economic entity.
- 3- The development that characterizes the private banking sector has prompted government banks to develop their capabilities in order to keep pace with the latest developments through the impact of the quality of internal audit on the operational performance indicators and its reflection on the value of the economic entity.
- 4- Enriching the theoretical aspect of the study variables, which are related to the knowledge foundations of the quality of internal audit, the concept of operational performance indicators, as well as the concept of the value of the economic entity.
- 5- The researcher's contribution to determining the quality of internal audit through an examination form to question the people in the study sample, as well as measuring the indicators of operational performance and the value of the economic entity statistically and financially.
- 6- Take advantage of the sources and journals available within the research that have been used in the theoretical aspect of the research.
- 7- Identify the problems, obstacles and issues raised by previous studies in order to address them, as well as identify the most important conclusions reached.

**The second axis / the theoretical framework of the research / the concept of internal audit quality**

**First: The emergence and development of internal audit and the concept of quality: -**

An important event in the development of the internal audit profession is the establishment of the Institute of Internal Auditors (IIA) in 1941 in New York and its system was limited to internal audit functions within the United States of America and later when companies began to grow into multinational companies the ideas and knowledge of the Institute of Internal Auditors spread all over the world, In the years following the establishment of the Institute of Internal Auditors, the Audit Authority has been able to contribute to the recognition of internal audit as an independent function and not an extension of external audit, and the mission of the Institute of Internal Auditors is to provide a global framework for the professional practice of the internal audit function as well as promotion and development within companies. The Institute provides a global body of knowledge for practitioners by issuing definitions and standards as well as guiding research and education. Whittington (1992) states that the growth of the Institute of Internal Auditors (IIA) coincided with the recognition of internal audit (IA) as a primary control function in all types of companies, that the Institute is not only a regulatory body and their standards and ideas are applied voluntarily but

is moreover a recognized authority for the professional practice of internal audit and its standards and data are implemented in a large number of companies (Bergs, 2018: 7)

The quality of internal audit is defined as the performance of the audit process efficiently and effectively in accordance with auditing standards, ethics and rules of professional conduct, standards of control over the quality of the audit process with the disclosure of errors and violations discovered, and work through continuous education to achieve and meet the goals, desires and needs of users of financial statements, as defined by others as compliance with professional standards for auditing, rules and ethics of professional conduct, audit process guidelines, as well as the rules and procedures issued by professional bodies to regulate the auditing profession and maintain impartiality and integrity. The audit process (Abdelsadek, 2022: 94).

The quality of internal audit was also defined as the auditor's ability to discover deficiencies in the internal control system and make recommendations to solve or reduce them or obtain the greatest possible benefit for the economic entity and that professionalism is an important aspect of audit work, especially for individual auditors, and auditors will be motivated to achieve the interest of the entire economic entity and not preserve their interests as the quality of internal audit improves when internal auditors have the necessary competence, independence, experience and skill, allowing the provision of valuable recommendations and results. Alia effectively contributes to enhancing the interaction of senior management with these recommendations (Al-Bakairat, 2024:45).

It was also defined as the extent of organizations' commitment to the application of internal audit standards and specific policies and procedures that lead the organization to achieve the required tasks, as well as adherence to the rules of professional conduct during the internal audit process, all of which leads to the discovery of weaknesses and errors and making recommendations to address or reduce them and achieve the goals (Al-Ajili, 2022:35).

The quality of internal audit is defined as the probability that a particular auditor will simultaneously discover and report a defect in the client's accounting system, so auditors have the technical competence to detect any material errors during the audit process and be independent to ensure that material misstatements are corrected or detected in the auditor's report (Djaddang & shanti, 2022:404).

It has also been defined as contributing to fraud prevention, reducing risk, improving controls, reducing opportunistic behavior, and reducing external audit costs (Cakali, 2023:106).

#### Second: The importance of the quality of internal audit:

The internal audit quality process derives its importance from the need for its services and we review its importance from the perspective of both (Abdul Sadiq, 2022: 95).

- 1) Audit Executor: Maintaining the auditor's reputation, which reflects positively on him by maintaining the auditor's existing customers, attracting new customers, and avoiding lawsuits due to low quality.
- 2) Auditee: Increasing confidence in auditors' reports on the financial statements and judging the efficiency of management and the ability of the economic entity to continue.
- 3) Shareholders (current and prospective): Increase the likelihood of the internal auditor's ability to detect and report errors, reduce fraud and manipulation, and help reduce agency conflicts.
- 4) Creditors and suppliers of the project (current and prospective): Assisting them in assessing the financial situation and predicting the viability of the economic entity and then helping them make decisions related to granting loans and term sales for the project.
- 5) Professional organizations: maintaining the reputation of the profession and improving the society's view of it.
- 6) Community: Helping to stabilize financial markets through early warning of risks.

#### Third: Internal Audit Quality Objectives:

There are several objectives for the quality of internal auditing that can be summarized as follows (Al-Bakirat, 2024: 96):

- 1) Provide guidance on the procedures that the internal auditor must adhere to in order to comply with the basic principles of delegation of authority to assist him in the audit task.
- 2) Provide guidance on the procedures and policies adopted by auditors to provide reasonable satisfaction with the quality of audit in general and a commitment to follow and apply professional standards.
- 3) Gain the trust of customers through accuracy and attention to detail while working.
- 4) Reduce operational costs related to the flow of operations, improve the efficiency and effectiveness of performing tasks, and reduce the time and effort spent on rework.
- 5) It helps to increase and improve the morale of the audit team and raise their morale.
- 6) Contribute to the national effort to raise the level of the profession and contribute to reducing the exposure of auditors to problems and legal accountability and avoiding accusations of negligence in the performance of professional duty.

#### Fourth: Benefits of Internal Audit Quality:

The quality of internal audit can result in many benefits, which can be summarized as follows (Ravens, 2023: 41):

- The quality of internal audit enables the parties benefiting from audit services to make sound decisions.
- Improve documents and worksheets and help to work in a team spirit.
- It works to increase public confidence and improve the community's perception of the auditing profession, which leads to increasing the salaries of auditors and paying attention to their advice.
- It is considered a compelling marketing tool that enables internal auditors to maintain good quality of customers, attract new customers from shareholders and investors, and increase the market share of the economic entity under competitive conditions.
- Minimizing practical errors.
- Lead to greater objectivity in the performance of business and maintain independence.
- It forms a solid basis for reviewing the work of other companies in the case of peer, peer, associate, and in-depth examination.

Fifth: Factors that lead to improving the quality of internal audit:

There are a range of factors that play a major role in improving the quality of internal audit, which can be summarized as follows (Abdelsadek, 2022: 97):

- 1) Organizing the internal audit profession and defining the responsibilities of auditors.
- 2) Scientific and practical qualification of auditors and training programs that lead to increasing communication skills and information exchange, which generates the auditor's ability to express opinions and provide sound advice.
- 3) Provide experience and knowledge of auditors in the electronic operation of data and the use of auditing statistical samples.
- 4) Attention to the internal control system.
- 5) Periodic evaluation, supervision and continuous follow-up of work based on experience.
- 6) Accurate and documented identification of general and interim objectives to improve quality.
- 7) Forming committees to monitor and follow up the work.
- 8) Providing guarantees that ensure the impartiality of the auditor, the nature of his knowledge and the financial, organizational and intellectual independence.
- 9) Legal obligation to implement the rules and ethics of professional conduct and quality control standards for penalties, issues and legislation.
- 10) Planning for development and improvement processes in auditing and designing its programs.
- 11) The attention of all supervisory levels to the audit process so that it is a technical reference for the supervisory team.
- 12) Attention to the reaction, needs and expectations of users of financial statements.

Sixth: Determinants of the quality of internal audit :

The quality of internal audit indicates the effectiveness and efficiency of internal audit operations in achieving their objectives, ensuring compliance with applicable standards and regulations, and improving processes and internal control in the economic entity, and there are several factors that determine the quality of internal audit, including (Khalaf, 2024: 98):

- 1) Independence and objectivity: The internal audit team should be independent and not affected by any pressure from within the organization.
- 2) Proficiency and Skills: Internal audit requires qualified auditors who have the knowledge and experience to properly understand processes and assess risks.
- 3) Planning and organization: The quality of the audit is influenced by how effectively planning for the implementation of internal audit, including identifying key risks and focusing efforts on priority areas.
- 4) Communication and reporting: Provide accurate and clear reports, containing actionable recommendations that contribute to improving operations.
- 5) Compliance with standards: Follow international standards on internal auditing, such as those issued by the Institute of Internal Auditors (IIA) that enhance the quality of auditing.

Seventh: Internal audit quality measure.

There is no unified measure of the quality of internal auditing, as the approaches of academic researchers differed in determining it, as they relied on assessing the quality of internal audit by measuring the availability of a set of characteristics in internal audit activities, such as, the efficiency of internal auditors, their level of education, their obtaining relevant professional certificates, and the extent to which this is related to the recruitment process. These characteristics also included the degree of independence, which was often measured in studies by the impact of audit reports on the termination of internal auditors' services, as well as the quality of the internal auditors' business results, by the ability of audit programs to carry out the tasks assigned to them efficiently and effectively (Al-Dosari, 2022:667).

### **The concept of operational performance indicators**

First: **The concept of operational performance:**

The concept of operational performance is a more comprehensive concept of performance and it reflects the aspect of efficiency that is based on the use of rationality in achieving the best use of available resources, it is concerned with the performance of operational and financing processes and expresses it in product quality and the provision of new products at a low cost and thus reflects the ratio of outputs to inputs (Al-Khatib, 2021: 193).

Operational performance also aims to provide products with competitive prices and manufacturing defect rates close to zero, in addition to the speed in delivering products to customers and the ability to make rapid developments or improvements in product design in a way that ensures superiority over competitors (Jabbour, 2021: 113).

There are also those who referred to the concept of operational performance as a measure of customer satisfaction as the key to the organized success of the economic entity through the customer's return to deal with the same unit, and this is what the economic entity aims to survive and continue (Al-Buainain et al., 2018: 163).

Azim, Ahmed pointed out that operational performance depends on measurable aspects of the results of the operations of the economic entity such as the production cycle, inventory and others, and operational performance in turn affects business performance indicators such as customer share and satisfaction, as mentioned by (Ghalem, et al) that operational performance means the act or performance of a specific process of the economic entity and the concept of operational performance is linked to the characteristics of efficiency and effectiveness, Efficiency is an indicator of the resources consumed up to the level of achievement, and effectiveness is to achieve the goal and performance is used to achieve the goal at the level of the economic entity, as indicated by (Mustafa) that the operational performance is similar to the financial performance of the economic entity during the period that reflects the actual results in particular of cash flows from operational activities and that the logical reasons for the use of cash flows It is considered an effective operational activity of the economic entity (2020:989, Mustafa).

Second: **The importance of operational performance: -**

The extent to which the success and continuity of the economic entity depends on the performance of its employees, regardless of the nature of its activity, as the functioning individuals performing the tasks entrusted to them efficiently and effectively will undoubtedly lead to survival, continuity and maintaining the competitive position of the entity (umYareham, 2020: 166).

The importance of operational performance is as follows (Al-Masaeed, 2021: 57).

- 1) Operational performance represents the strategic directions of competing entities, and operational performance plays a role in quality management practices.
- 2) Operational performance contributes to customer satisfaction by providing high quality products in a short time.
- 3) Operational performance reflects the efficiency of an entity's operational processes by measuring how well the resources available to the entity are utilized.
- 4) Operational performance contributes to providing reliable information in order to reduce the detection of potential risks and work to avoid them.
- 5) Operational performance is a measure of the success of any investment activity or not, as it provides important information for the purposes of making investment decisions.
- 6) Operational performance is considered as a mirror that reflects the operational activity of the entity by meeting the needs of customers and meeting their requirements and thus gaining a competitive advantage for the entity through the efficient exploitation of the resources available to the entity.

**Third : Measuring and dimensioning operational performance .**

Operational performance indicators are characterized as financial and non-financial indicators, and the measurement of operational performance can be clarified through the table below as one of the modern technologies that are concerned with collecting financial data and information by developing a set of predetermined foundations and standards and then studying and analyzing them for the purpose of finding a relationship and interpreting the results through which strengths are known, strengthened, weaknesses, addressed, and the necessary recommendations are made in a timely manner (Mohammed, 2021, : 848).

Al-Masaeed, Ebtisam Salem Fahad, 2021 believes that the financial indicators of operational performance are represented in the following table:



Table(1)

His sports relationship	Its purpose	Indicator Name	t
Net profit margin, gross profit margin, return on assets, return on equity, earnings per share.	Measures the efficiency of the economic entity and its ability to achieve profits from its various activities.	Profitability ratios	1
Turnover ratio, fast turnover ratio.	These indicators focus on the ability of the economic entity to face its monetary obligations, protect it from financial hardship, and maintain its continuity in carrying out its activities.	Liquidity ratios	2
Total asset turnover, receivables turnover, inventory turnover.	This indicator reflects the ability of the economic entity to use the available resources efficiently and effectively.	Activity ratios	3
Share price to dividends, market value of the share to book value.	This ratio enables comparing the performance of the economic entity for different periods of time and comparing its performance with other units within the same sector or with other sectors, and thus it gives useful indicators for investors, whether current or prospective.	Market ratios	4

Source: Table prepared by the researcher based on (Al-Masaeed, Ebtisam Salem Fahd, 2021)

#### **Fourth: Factors affecting operational performance:**

Economic entities face during the performance of their activities many problems and difficulties that may hinder them in the performance of their functions, which pushes progress and search for the sources of these problems, study, analysis and corrective decisions on them, and this is what the process of evaluating operational performance aims at, so it seeks to know the most important problems and search for reasons that hinder the work of economic entities and propose correct decisions, and there are factors that affect the operational performance of the units, which are internal factors and external factors, internal factors can be reduced or reduced as Under the control of the administration, while external factors cannot be controlled or even minimized as they fall outside the control of the administration, the following is a detailed statement of these factors (Diyaf et al., 2018: 552).

1. Internal factors (organizational structure, size of economic entities, technology)
2. External factors (economic and political conditions, religious and social factor affecting some customers, social factor)

#### **The value of the economic entity**

##### **First: The concept of the value of the economic entity .**

The evaluation of an economic entity is currently a widely discussed issue in economics and finance, and adopting a good method facilitates a comprehensive assessment of the economic entity and is a very important factor in relation to the financing needed by companies; the evaluation is carried out for purposes such as loans, business mergers or acquisitions (Vrbka and Vitková, 2021, 1).

The value of an economic entity is an important issue that is highlighted by stakeholders, such as investors, employees (including managers), customers or suppliers, and companies are interested in building value in order to document and strengthen their position in the market, and the value of the unit is of course not the only measure to evaluate the activity of the economic entity but it is an essential key (Tarczynski et al, 2020: 2686).

(Saeed, 2022: 238) believes that the economic entity seeks to continue, survive and grow, and to achieve this, it sets ambitious goals and identifies factors that help achieve these goals, and the most prominent goal is to maximize the market value of the company, so the market value of the economic entity is one of the important criteria and basic indicators that can be used to express the value of the unit, which is the most important and defined value among other types of values and is affected by the economic conditions of the market.

##### **Second: Types of values of the economic entity from an accounting perspective :**

There are different types of value that can be addressed to the most prominent of these types : -

: 1- Nominal value

It is the value that is fixed on the share document, and is determined from the economic entity, stipulated in the memorandum of association of this unit, and that the total nominal values of the shares represent the amount of the subscribed capital of the shareholders (Shoman et al., 2012: 53).

That is, the nominal value is the amounts determined according to the company's policy that the investor pays to obtain one share, as it is defined as a value paid or paid by shareholders when subscribing to the facility, and it is usually added to the issuance premium (Al-Mayah, 2019: 43).

This is called the issuance premium and in the Iraqi Companies Registration Law, the nominal value is set as one dinar per share upon issuance and it is printed on the financial document itself and represents the nominal value of the preferred share and the ordinary share (Abdul Hakim and Al-Wahili, 2017: 159).

#### 2- Book value :

It is the accounting value of the asset that is recorded in the company's books and represents the cost of buying the asset minus the accumulated extinction, and if there is complete extinction, the book value of the asset may reach zero, but there is still an economic value for the asset because it is still productive (Saeed et al., 2022: 238).

The book value of shares is the cumulative historical value that is recorded in the records of the economic entity and represents the quotient of dividing the total equity after subtracting the preferred shares by the number of ordinary shares (Zaidi, Naima, 2022: 129).

Book value is also referred to from the perspective of the balance sheet as assets minus liabilities that are equal to shareholders' equity or net value, and they express the share per share of the company's net assets, and do not have a significant impact on the share price in the financial market and this value can be calculated by dividing the ownership right by the number of shares, and the right of ownership represents the difference between the company's liabilities and assets valued at historical cost (Abdul Hakim and Al-Wahili, 2017: 159).

Book value is usually seen as not an important factor when determining the value of an economic entity because it is only investments made by the economic entity in the past (Ali, 2017: 78).

#### 3- Real value or fair value:

The real value of the ordinary share is one of the values that are increasingly taken care of in the contemporary financial management literature, as well as it has many other names, including theoretical value, reasonable value, present value, which is the value shown by the facts represented in assets, earnings per share, dividends, dividends, and future growth prospects, and that the value of the ordinary share is calculated by estimating cash flows (returns or capital losses and dividends) resulting from investing in ordinary shares at the end of the Maintain and estimate the rate of return on investment in these stocks (Schuman et al., 2012: 54).

Investors are interested in fair value because it represents what the value of the stock should be, if the market price of the stock is higher than its real value, this means that the stock is not suitable for investment, because it is valued more than it should, and if the market price of the share is less than its real value, this means that the stock is suitable for investment, because it is valued less than it should, because the share price over time must rise to reach the real value and thus achieve a capital profit, but if the market price Equal to the real value, the stock was as it should be (Al-Mayyah, 2019: 45).

#### 4- Investment value :

It is one of the most important values for shareholders, as it refers to the amounts that investors pay to obtain shares, and that the process of calculating the value of the investment is a complex process that depends on the return and expected risks of the stock (Al-Sarraf, 2023: 48).

#### 5- Liquidation value :

The liquidation value refers to the net funds achieved by the economic entity upon the termination of its business and the sale of its assets, and the liquidation is either compulsory or regular, and this value is the value of the shares of the economic entity when this unit sells assets and pays all its obligations, and it is equal to the market value of its assets minus debts to the economic entity, and the result of this is divided by the number of shares of the economic entity (Abdul Zahra et al., 2017 : 194).

#### 6- Market Value :

(Shoman et al., 2012: 55) pointed out that the market value of an economic entity is expressed in a synonymous form with the value of the ordinary share of the economic entity in the financial market, and that in most financial management literature, the prices of shares traded in the financial market express the value of the economic entity, so managers should focus on stock prices in the financial market as a measure of the maximum benefit to shareholders, because stock prices reflect the outcome of market evaluations of the expected return of the economic entity over time and the associated risk. Return and other factors, and that data and information on stock prices are available in the financial market and can be obtained.

Market capitalization represents the price an investor is willing to pay for the company's shares (Al-Nsour, 2020: 58).

The market value means the share price in the market and is mainly subject to supply and demand factors and may be more or less than the nominal value, or is a measure of the value of the institution in open markets and is also used to determine the perception or professional expectation of the future prospects of the economic entity, or is the monetary value (financial) paid at a certain point in time and is determined depending on supply and demand in the stock market, and it is also the total value of the share traded as it is (price Arrow x Number of Shares) (Al-Tai and Al-Shakarji, 2022:297).

**Third: Objectives of the Economic entity :**

An economic entity is a form of commercial entity that carries out productive activities and has a specific purpose in general, and the objectives of economic entities are divided into two parts (Al-Sarraf, 2023:50).

1. A short-term goal that the economic entity seeks to achieve quickly is to obtain the maximum profit from existing resources and is considered its main goal.
2. A long-term goal, which the economic entity seeks to achieve in the long term and focuses on increasing its value, which is reflected in its share price and its future value.

He added (small, 609:2022) that there are many goals that different parties seek to achieve in the field of company value, which differ according to different perspectives on how to maximize or measure that value:

1. The goal of maximizing wealth, where companies seek to maximize their wealth and this means maximizing the current value of the project and its value in the market.
2. The goal of maximizing the financial value of the company, and economists see maximizing profitability as a goal to evaluate the operational performance of the company because maximizing profitability reflects the economic efficiency of those companies.
3. The goal of maximizing the market value of the share, which is one of the important things that push the company's management to give this goal precedence over other goals is the fear of the deterioration of the value of its shares in the financial market, and this requires that the operational units in industrial companies be more efficient and less expensive, and require the development of goods and services desired by the consumer.
4. The goal of maximizing the market value of the company in the market, which is the result of maximizing the market value of its shares.

**Fourth: The importance of the value of the economic entity :**

The importance of the company stems from being one of the important contemporary concerns of policymakers due to its importance and effectiveness in supporting national, environmental, social and economic development, and there is no doubt that this not only brings prosperity and well-being to individuals, but also enhances commercial and economic life, so the company enjoys a legal personality independent of its constituent partners and enjoys an independent existence, ability to act and independent financial responsibility.

(Teller: 51:2023) summarized the importance of the value of the economic entity in the following points:

- 1 - Company management: Determining the value of an economic entity, both now and in the future, has a significant impact on the size and quality of management decisions, because maximizing the value of the company is the solid foundation for the company to compete with its peers, and the decline in the value of the company poses a great threat, because this is an obnoxious feature of investing in stocks.
- 2 - Lenders and creditors: The economic entity owns assets that constitute a large part of its value, and the higher the value of those assets, the greater the value of the company at this rate, which increases the reassurance of lenders and creditors, and there is a strong interest in the company's profitability in the long term, as the company's profits contribute to the growth of its value, so lenders care about the total value of the company because this is a guarantee that they will be able to obtain a loan.
- 3 - Government agencies: The growth of the value of the project in any country is evidence of its wealth and economic progress, and the state is interested in the development of projects because of their importance in economic development, and it is clear that there is a link between government agencies, especially tax agencies and the value of the company because the increase in the value of the company means an increase in profits, which is what these agencies want in order to collect taxes, the greater the value of those profits, the greater the number and size of taxes, i.e. It shows an increase in profits, which is what these agencies want in order to collect taxes, and the higher the value of these benefits, the more taxes they are levied on.

Al-Hasnawi (2020:78) argued that the importance of the value of economic entity can be summarized as follows:

1. Economic entities contribute to achieving economic prosperity and pushing productive activities forward to achieve economic prosperity.
2. Generating income for the owners of these economic entities, producing goods with export opportunities, and this leads to obtaining foreign exchange for the Prophet, and the production of substitute goods for imports.
3. Economic entities constitute a solid ground for the national economy and their impact on economic fluctuations.

4. Satisfying the desires of peers and entrepreneurs for independence, raising the standard of living, achieving their aspirations, providing social, productive and administrative services, and achieving self-sufficiency.
5. Economic entities play a pivotal role in transforming the economies of some countries into a market economy.
6. It is considered one of the most important mechanisms of technological development in terms of its ability to develop and modernize production processes faster and at a lower cost.
7. It helps in establishing a clearer economic and social balance as a result of the high ability to spread geographically, as well as discovering the skills and knowledge of the members of the community in which it is located.
8. It plays a prominent and important role in reducing the risks and consequences of migration to more developed regions, but it is an effective tool to achieve a type of reverse migration aimed at achieving balanced and sustainable development.

### **The third axis / applied study of research / statistical analysis of research variables**

First: A brief summary of the research sample.

The research sample was selected from (8) economic entities listed in the Iraq Stock Exchange within the banking sector and below is a brief summary of each bank.

Table(2)

A brief summary of each bank	Bank Name	t
Ashur International Bank was established in 2005 with a capital of (25) billion Iraqi dinars. At the end of 20/23, the bank's capital reached (250) billion dinars.	Ashur Bank International	1
Gulf Commercial Bank was established in 1999 with a capital of (300) billion Iraqi dinars. At the end of 2023, the bank's capital reached (231) billion dinars.	Gulf Bank Commercial	2
It is an Iraqi private shareholding company established in 1997 with a paid-up capital of (100) million Iraqi dinars. At the end of 2023, the bank's capital reached (300) billion dinars.	Bank United For Investment	3
The Bank of Babylon was established in 1999 with a capital of (500) million Iraqi dinars. At the end of 2023, the bank's capital reached (250) billion dinars.	Bank of Babylon	4
The Commercial Bank of Iraq was established in 1992 with a capital of (150) million Iraqis. At the end of 2023, the bank's capital reached (250) billion dinars.	Bank Commercial Bank of Iraq	5
The bank was established as an Iraqi private shareholding company in 2005 with a capital of (25) billion dinars. At the end of 2023, the bank's capital reached (251) billion dinars.	Bank National For Investment	6
A private shareholding company established in 2016 with a capital of (100) billion Iraqi dinars. At the end of 2023, the bank's capital reached (260) billion dinars.	Bank International Islamic	7
Trans Iraq Investment Bank is an Iraqi private shareholding company established in 2006 with a capital of (56.5) billion Iraqi dinars. At the end of 2023, the bank's capital reached (264) billion dinars.	Trans Iraq Investment Bank	8

Source: Prepared by the researcher based on the annual reports listed in the Iraq Stock Exchange.

Second: Distribution of question paragraphs for the checklist.

The researcher relied on an independent checklist to measure the independent variable represented by the quality of internal audit, as it consisted of two basic criteria (attributes standard, and performance standard) based on the internal audit standards issued by the Institute of Internal Auditors (IIA) for the year 2018, and the first criterion for the personal characteristics of the internal auditor included four axes in which (21) questions were asked, while the second criterion included seven axes in which (30) questions were asked, and in the table below the distribution of paragraphs (questions) on the examination list Independent of the variable.

Table (3) Distribution of Checklist Paragraphs for the Independent Variable Internal Audit Quality

Number of paragraphs	Subdomains	Variable
	Attribute criteria	

4		Purpose, authority and responsibility				Independent variable Internal Audit Quality					
6		Independence and objectivity									
7		Professional care needed									
4		Assurance and Quality Improvement Program									
		Performance Criteria									
Total		Bank across Iraq		International Bank		National Bank		Ashur Bank		Bank of Bal	
Application ratio	Total Application	Not applicable	applied	Not applicable	applied	Not applicable	applied	Not applicable	applied	Not applicable	a
1.00	8	0	1	0	1	0	1	0	1	0	
0.75	6	0	1	0	1	0	1	0	1	0	
0.88	7	0	1	0	1	1	0	0	1	0	
1.00	8	0	1	0	1	0	1	0	1	0	
3.625	29	0	4	0	4	1	3	0	4	0	
		0.00	1.00	0.00	1.00	0.25	0.75	0.00	1.00	0.00	
0.9063		The total application ratio of the first axis of the attributes standards for internal audit (purpose, authority,									
6		Internal Audit Activity Department									
6		Nature of work									
5		Planning & Engagement									
5		Carrying out the internal audit task									
4		Communicating results									
2		Workflow monitoring									
2		Risk Acceptance Notification									

Source: Prepared by the researcher.

Third: Data analysis and interpretation of the results of the examination form for the independent variable Internal Audit Quality.

First Step: The answers in the examination form for the independent variable were converted to the corresponding weights based on the application protection of the banks of the research sample The researcher used the program (Excel, Amos Vr24, Spss.vr24) in analyzing and interpreting the data.

Second Step: Analysis and interpretation of the data of the examination form for the independent variable The quality of internal audit through several questions from the reality of the form Each axis was taken independently for the purpose of calculating the application ratios in the light of the examination form for the banks of the research sample and the paragraphs were calculated through the following as shown in Table No. (3) as a model for the work of the axes of internal audit standards.

$$\text{Average} = \frac{\sum_{i=0}^n X}{N}$$

$$\text{Standard deviation} = S_X \sqrt{\frac{\sum (X - \bar{X})^2}{N-1}}$$

$$\text{Coefficient of variation C.V} = \frac{\text{standard deviation}}{\text{Average}} \times \%100$$

Table(4)

Ratios of the application of internal audit standards to the first axis of the attributes standards (purpose, authority and responsibility)

Source: Prepared by the researcher based on the examination form

Table(5)

Analysis and interpretation of the results of the axis (purpose, authority and responsibility) according to the examination form

The first axis (purpose, authority, responsibility)			8	Sample size
Coefficient of variationC V	Standard deviation	Average	Question paragraphs	

0.0000	0.000	1.00	1- The Internal Audit Section shall include an official document through which the purpose and responsibility of the internal audit activity shall be determined.
0.5866	0.440	0.75	2. The Internal Audit Charter shall determine the nature and relationship of the Chief Audit Officer's functional reports with the Board of Directors.
0.3840	0.336	0.88	3. The Internal Audit Charter regulates access to records, employees and tangible property in the Economic entity.
0.0000	0.000	1.00	4- The Internal Audit Charter is consistent with the basic principles of practicing the internal audit profession and the rules, ethics and standards of internal auditing with the review and approval of the Board of Directors and senior management.
0.2516	0.2280	0.9063	Overall average of the axis

Source: Prepared by the researcher based on the outputs of the program (Excel)

Table(6)

Analysis and interpretation of the results of all axes (attribute standards, performance standards) according to the examination form

Internal audit variables (attribute standards, performance standards)			8	Sample size
Coefficient of variationC.V	Standard deviation	Overall average of axes	Internal Audit Standards	
0.0789	0.0732	0.9278	1- Attribute criteria	
0.1048	0.0981	0.9363	2- Performance Standards	
0.0454	0.0435	0.9592	Total	

Source: Prepared by the researcher based on the outputs of the program (Excel)

Where the quality of internal audit was measured through an examination form containing a set of questions based on the extent of application of international standards were directed to employees in the internal audit and control departments in the economic entitys of the research sample and the applied took No. (1) and the non-applied took the number (zero) and then calculated the average application for each standard and then calculated the standard deviation and the coefficient of difference C.V.

#### Fourth: Measuring Operational Performance Indicators:

The operational performance indicators were calculated by the two indicators:

1- Return on assets = sales during the year / total assets

2- Return on equity = net profit during the year / total assets

Accordingly, the process of measuring the financial performance of each of the banks of the research sample can be presented based on the previously mentioned models and during the research period (2019-2023) through the following tables:

Table (7) Measurement of the operational performance of Assyria Bank

Return on equity	Return on assets	Sunnah	t
0.023	0.375	2019	1
0.054	0.187	2020	2
0.027	0.338	2021	3
0.044	0.419	2022	4
0.018	0.276	2023	5
0.0332	0.319	Average	
Return on assets = sales during the year / total assets			
Return on Equity = Net Profit during the year / Total Assets			

Source: Prepared by the researcher based on the bank's financial statements.

Table(8)

Overall ratios to measure the operational performance of all banks

Return on equity	Return on assets	Bank	t
0.0332	0.319	Ashur Bank	1
0.0038	0.1514	Bank of Babylon	2
0.0398	0.4966	National Bank	3
0.045))	1.287))	Gulf Commercial Bank	4
0.0508	0.4756	Commercial Bank	5
0.073	0.2934	International Bank	6
0.009))	0.0862))	Bank across Iraq	7
0.0012))	0.0058))	The United Bank	8
0.018175))	0.044625))	Average	

Source: Prepared by the researcher based on the results of measuring the operational performance of the banks of the research sample.

**Fifth: Measuring the value of the economic entity:**

The research followed the method of Tobin's Q ratio to measure the value of the economic entity which is as follows. (Singh et al., 2017)

Tobin's Q = Asset Market Value / Book Value of Assets

If: (market value of assets = market value of equity + book value of liabilities) or

(Market Value of Economic entity Assets = Book Value of Economic entity Assets + Market Value of Common Shares - Book Value of Common Shares)

The book value of the assets was obtained from the statement of financial position, the book value of ordinary shares is the paid-up capital, and the market value is the product of the share price at close by the number of shares.

Table(9)

Measuring the value of Assyria Bank according to Tobin's Q model

The value of the economic entity according to the model ( Tobin's Q )	Sunnah	t
0.65	2019	1
0.68	2020	2
0.71	2021	3
0.77	2022	4
0.74	2023	5
0.71	Average	6
Tobin's Q = Asset Market Value / Book Value of Assets		

Source: Prepared by the researcher based on the bank's financial statements.

Table(10)

The value of economic entities according to the model ( Tobin's Q )

The value of economic entities according to the model ( Tobin's Q )	Bank	t
0.71	Ashur Bank	1
0.47	Bank of Babylon	2
0.90	National Islamic Bank	3
0.52	Gulf Commercial Bank	4
0.73	Commercial Bank of Iraq	5
1.00	International Islamic Bank	6
0.79	Bank across Iraq	7
0.67	United Islamic Bank	8
0.72375	Average	

Source: Prepared by the researcher based on the data of economic entities in the Iraq Stock Exchange according to the model ( Tobin's Q ).

**Hypothesis testing, analysis and interpretation of results**

First: The first main hypothesis:

There is a statistically significant correlation between the quality of internal audit, operational performance indicators and the value of the economic entity.

A- The first sub-hypothesis: There is a statistically significant correlation between the quality of internal audit and the operational performance indicators.

B- The second sub-hypothesis: There is a statistically significant correlation between the indicators of operational performance and the value of the economic entity.

C- Third sub-hypothesis: There is a statistically significant correlation between the quality of internal audit and the value of the economic entity through the mediating role of operational performance indicators.

Second main hypothesis:

There is a statistically significant impact of the application of the quality of internal audit in the operational performance indicators, which is reflected in the value of the economic entity.

A- Sub-hypothesis I: There is a statistically significant effect of the quality of internal audit on operational performance indicators.

B- The second sub-hypothesis: There is a statistically significant effect of operational performance indicators on the value of the economic entity.

C- The third sub-hypothesis: There is a statistically significant effect of the quality of internal audit on the value of the economic entity through the mediating role of operational performance indicators.

Fourth Theme/Conclusions and Recommendations

First: Conclusions related to the theoretical aspect:

1- The quality of internal audit as a management approach contributes through commitment to the application of internal audit standards issued by international professional organizations, which contribute to reducing costs and reducing errors.

2. Enhancing the quality of internal audit by improving the application of the standards of professional practice issued by the Institute of Internal Auditors (IIA) It provides a methodological framework that can be used to analyze and improve audit processes in line with the objectives of the economic entity, with a focus on reducing errors and increasing efficiency.

3- The application of the quality of internal audit contributes to the quality of organizational and administrative performance in general in economic entities and helps to strengthen internal control systems, which is reflected in improving the implementation of operational processes with the least possible defects and deviations and improving the application of local and international accounting standards, regulations and rules and the good application of the accounting system.

4- The application of the quality of internal audit contributes to the definition and identification of the problem, collecting evidence, and helping the internal audit team to focus and understand the problems of the audit process more broadly to find out the root causes that led to its occurrence, some of which are direct and others are indirect.

5- The process of continuous improvement or development of the quality of internal audit contributes to providing the best solutions by enhancing efficiency and continuous follow-up of changes in audit processes and the quality of service provision in a correct manner and with a high level of quality, which ensures that there is no return to previous traditional practices.

6- The banks of the research sample work in the internal audit function in accordance with professional standards and some of these standards have been adapted according to the Iraqi environment, as the results indicate that the internal audit units enjoy high quality and that increasing the level of quality of internal audit is through the application of professional practice standards issued by competent organizations and bodies such as the Institute of Internal Auditors (IIA), which have a major role in adding value to the bank through the application of standards of attributes And performance standards and ensuring the application of independence and objectivity by the internal audit departments in the banks of the research sample.

7- Reflects the operational performance as a result of the activity of the banks of the research sample during a certain period of time and refers to the quality of the banks' use of their resources for the purpose of maximizing the profitability of the owners and their wealth and represents the operational performance aspect of the efficiency and effectiveness of the banks of the research sample because it is always interested in the performance of operational and financing operations because it is measured by financial performance indicators that are done through the increase in the need for operational performance indicators as a result of the developments and modern technologies that have emerged and this increases the benefit to the banks of the research sample.

8- There is a role for the Board of Directors in improving the accuracy of the model for predicting the operational performance of the banks of the research sample The evaluation of the operational performance of the banks of the research sample helps to the developments achieved by the banks in the course of their work towards achieving the best by comparing the results of the actual performance of banks from one period to another with the other banks of the research sample.

9- There is a set of procedures and mechanisms through which the operational performance is evaluated between the departments responsible for evaluating performance in the organizational structure of the banks of the research sample, and they are usually clear and consistent, starting from collecting statistical data to determining the responsibilities that fall on the shoulders of the institution subject to evaluation for the purpose of reaching course correction and upgrading to the level drawn through the stages of evaluating the operational performance of the banks of the research sample.

10- The quality of internal audit plays a major role in influencing the operational performance indicators, which is reflected in the value of the economic entity, as the quality of internal audit and operational performance indicators ensures the availability of important, confirmed and predictable information that increases the efficiency of the market to attract investors to these shares and thus the demand for shares rises in value, and thus it can be said that The high value of the economic entity indicates the quality of the operational performance indicators and the quality of internal audit in the economic entity.



11- The good value of the economic entity has a significant impact on the decisions of investors within the Iraqi Stock Exchange, and this indicates that the economic entities under study and interested in the quality of internal audit provide more valuable accounting information and directly related to creating a change in investors' expectations.

Second: Conclusions related to the practical aspect:

1- There is a correlation and a statistically significant impact of the quality of internal audit in the operational performance indicators.

2- There is a correlation and a statistically significant impact of operational performance indicators on the value of the economic entity.

3- There is a correlation and a statistically significant impact of the quality of internal audit on the value of the economic entity through the mediating role of operational performance indicators.

4- The results indicated that the economic entities interested in the quality of internal audit are witnessing an improvement in their economic values in the financial market, due to the increased reliability and credibility of their financial reports and the improvement of their financial and operational performance.

5- The essence of the direct and indirect impact of the quality of internal audit and operational performance indicators on the value of the economic entity does not only mean enhancing the financial performance, reliability, transparency and credibility of the financial reports of the economic entities under study, but may also indicate a great awareness by investors of the value of units within the Iraq Stock Exchange, which ultimately leads to increasing investor confidence and enhancing the position and value of economic entities in the market and their competitiveness.

Recommendations

1- Paying attention to the quality of internal audit as an integrated administrative approach to achieve quality in banking performance by reducing errors and reducing costs, with the need for the banking sector to pay attention to all modern means of work for banking work, which is reflected in the reality of work, its speed and completion with high accuracy.

2. Working to oblige the economic banking units listed on the Iraq Stock Exchange to apply the professional standards of internal auditing issued by the Institute of Internal Auditors to achieve a high level of performance of internal control by developing the capabilities and skills of employees in internal audit units through training courses in the fields of internal audit and areas of improving the levels of operational activities.

3- The researcher recommends that the sectoral institution for the banking sector (Central Bank of Iraq) urge and follow up the banking sector the need to follow up the application of internal audit standards and strengthen the internal control system by improving the quality of internal audit and its reflection on compliance with the requirements of the Central Bank and addressing emerging issues for the banking sector to improve the performance of Iraqi banks Improving the tools of the Iraq Stock Exchange in publishing information and financial statements of economic entities using electronic programs and other supporting office programs in a way that allows market dealers to shorten the time and time in dealing with accounting information to meet their needs and give them appropriate facilities.

4- The need for banks listed in the Iraq Stock Exchange to think about ways and strategies that lead to improving their operational performance through the best application of the quality of internal auditing and the need to adopt measures to predict operational performance and apply them to the financial information contained in the financial statements of banks and announce their result and include them in the annual reports of banks for the purpose of highlighting the role of financial information to the relevant parties so that they are aware of the level of these banks.

5- Iraqi researchers should adopt a more comprehensive approach to research related to operational performance and the quality of internal audit and their impact on the value of the economic entity and on banks listed on the Iraq Stock Exchange to use the internal audit quality standard as one of the criteria to evaluate the overall operational performance of banks in the long term as it reflects the bank's management of its financial resources achieved. Conducting more scientific research to monitor the impact of the quality of internal audit and operational performance indicators on the value of the economic entity.

6- Decision makers should strengthen regulatory oversight and mechanisms for implementing internal audit standards in order to raise the quality and independence of audits, thus protecting the interests of investors and the integrity of accounting information in the financial market, as well as the need for the responsible authorities to facilitate the exchange of knowledge and experiences between economic entities that have successfully applied internal audit standards in order to promote learning and dissemination of sound auditing practices. Internal or provide studies to adapt these standards to the Iraqi environment.

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