

DELMAR INTERNATIONAL

**FOR UNDERADUATE AND POSTGRADUATE
PROFESSIONAL STUDIES COLLEGE LTD**



Professional Research

**The impact of coordination and cooperation between
Accounting Bureau and Internal Auditors on the quality
of Auditing at Libyan Petro-companies**

The Researcher

Mohamed Elhadar Alaska

Supervisor

Committee for research and advanced professional studies

2024

Dedication

To all those who have illuminated the minds of others with their
knowledge

And who have guided their questioners with the correct answers

Showing, through their generosity, the humility of scholars

And through their vastness, the magnanimity of the knowledgeable,
esteemed professors.

I dedicate the humble fruit of my efforts:

To the pure spirit of my mother, may God grant her forgiveness and
mercy as she raised me in my childhood.

To my dear father, the beacon of my path, the source of my counsel, and
the best advisor.

To my beloved wife, and my sons and daughters, I love you with a love
that words cannot describe.

I dedicate this message.

Mohamed Elhadar Alaska

Acknowledgments

Praise and gratitude be to God, who has bestowed upon me countless blessings. I thank Him, the Almighty, for granting me determination and patience, and for facilitating this study.

As a token of my appreciation for those who have been of great benefit to me, I express my sincere thanks, deep appreciation, and gratitude to:

Professor Dr. As'ad Al-Hamami, the supervisor of this thesis, whose brilliant mind, extensive experience, and humble spirit have greatly inspired me. He generously shared his valuable scientific advice and wise guidance, dedicating much of his time and effort to support me.

I also extend my thanks to the esteemed members of the defense committee.

Additionally, I express my gratitude and appreciation to all the professors and supervisors at Delmar University.

May God grant success.

Summary.

This study aimed to determine the impact of coordination and cooperation between the Audit Bureau, which represents the highest supervisory authority, and internal auditors in oil companies operating in Libya. It also sought to clarify whether this cooperation enhances the quality of auditing and adds value to the Audit Bureau. The study relied on a descriptive analytical approach.

To achieve the objectives of this study, the researcher prepared a questionnaire, distributing 131 copies to auditors working in oil companies and the National Oil Corporation, as well as to auditors at the Audit Bureau. A total of 109 questionnaires were retrieved, and 7 were excluded due to invalidity, resulting in a sample size of 102 valid questionnaires. The SPSS V22 software was used for data analysis.

The study concluded with several key findings, the most significant being the substantial impact of coordination and cooperation between the Audit Bureau and internal auditors in oil companies on enhancing audit quality. This enhancement was evident through the application of all study dimensions, which included effective communication, professional commitment, shared responsibility, trust, and independence. These dimensions were rated at a medium level, indicating that the independence of auditing parties can be affected, highlighting the need for attention to the mechanisms for applying this coordination and cooperation to achieve added value for the Audit Bureau.

The study also proposed a model termed "Crime," which identifies the constants of coordination and cooperation, and another model referred to as "The Pentagon of Crime," which illustrates important procedures according to triangles that define the foundations of coordination and cooperation between supervisory bodies and internal auditors in the public sector.

Keywords: Coordination and cooperation, Audit Bureau, internal auditor, Libyan oil companies.

Introduction.

The world today witnesses rapid growth in the rates of company, agency, and organization development, along with increased competition among institutions engaged in similar activities. This drives successful companies to harness all available financial and technical resources to achieve their goals according to pre-established policies and plans. Undoubtedly, these policies and plans require diligent monitoring, as well as flexibility in implementation to cope with changes and keep pace with developments relevant to the industry, in order to catch up with these swift advancements. Here, the role of internal control and its importance in monitoring the implementation of these plans and policies in line with the organization's interests becomes crucial, ensuring the stability of financial, technical, and service operations according to the set strategies and plans.

To this day, the concept of internal control continues to evolve in terms of application, growing in significance and expanding in responsibilities (Hamdan and Alaska, 2016). This evolution necessitates qualified human resources to optimally maintain the company's assets and resources, with an understanding of the responsibilities and risks associated with their activities. These individuals must act as a formidable barrier against external and internal risks surrounding the operations, adhering to established accounting principles and standards.

On the other hand, in some countries, there are regulatory bodies that place significant emphasis on internal control elements and supervise them directly or indirectly, aiming to enhance corporate governance and ensure the efficient use of economic resources. Among these bodies is the Audit Bureau, which shares responsibilities with internal audit departments in safeguarding the state's assets from embezzlement, fraud, and money laundering. Thus, the protection provided by the Audit Bureau serves as a second line of defense for financial assets and resources, ensuring no overlap in responsibilities or tasks, complementing the auditing processes by evaluating internal control systems in public entities based on the internal auditor's assessments, thereby achieving comprehensive oversight aimed at elevating control standards and promoting institutional governance while contributing to the safeguarding of state resources.

Unfortunately, many fraud and embezzlement cases evolve daily with the growth of global companies and openness to the world, often going unnoticed by regulatory bodies in some countries until after they occur. Notably, one of the most infamous cases was that of Enron Corporation, which led to the enactment of several laws, the most famous being the Sarbanes-Oxley Act, which holds the CEO and CFO accountable for any suspicions of corruption, whether or not they were aware of such activities (Douglas F. Prawitt, Nathan, and Daved, 2012). Therefore, each auditing body, whether internal audit departments or the Audit Bureau, shares responsibilities and tasks to address corrupt gaps and failures wherever they exist within regulatory systems, forming a single, robust barrier against such breaches. This is not a trivial matter, as it requires continuous coordination and cooperation between different auditing parties—the Audit Bureau and internal auditors—so that each can effectively fulfill its role.

This study, therefore, aims to measure the impact of coordination and cooperation between the external auditor, representing the Audit Bureau, and internal auditors in oil companies, and whether this impact significantly enhances audit quality. Furthermore, it investigates whether this coordination and cooperation can create added value for the Audit Bureau in Libya through its application to Libyan oil companies.

The study Problem.

The events following the Arab revolutions have led to the absence and weakness of regulatory bodies and the fragility of institutional structures, especially in Libya. This has resulted in the looting of state funds and money laundering operations, some of which have been used to finance terrorism, not only in Libya but also in neighboring countries, as indicated in the International Monetary Fund's press release number (400/23) (Gershenson, 2023). Moreover, the report highlights corruption that has affected all sectors of the state, coupled with the lack of economic plans to properly direct the country's resources. Consequently, successive Libyan governments have struggled in attempts at reform and change without clearly defined policies and objectives, which has hindered the role of internal control bodies. There are no plans to track, nor policies to achieve the anticipated goals that everyone hopes for.

Thus, amidst this manufactured chaos, it becomes easier to manipulate budgets and resources amounting to billions of dollars. The absence of the rule of law and the decline in public servant ethics have allowed for all forms of corruption to flourish without pinpointing the locations of corruption or controlling them. Therefore, it is essential to unify the efforts of auditors in the Audit Bureau and internal auditors across state sectors. This can only be achieved through continuous and integrated cooperation, which may help expose harmful behaviors, enhance transparency, and improve the effectiveness of internal control and institutional governance. Ultimately, this is likely to have a positive impact on reinforcing the trust of investors and citizens in the state's regulatory bodies.

The importance of studying:

This study aims to determine the impact of coordination and cooperation between the Audit Bureau, which represents the highest supervisory authority in Libya, and internal auditors in the oil companies operating in Libya. Given that oil and petroleum products are the sole resource of the Libyan economy, it is essential to safeguard this resource while simultaneously enhancing the capabilities of internal auditors to promote transparency and vigilance. This is vital for ensuring fairness in financial statements, as well as objectivity and credibility in financial reports.

Thus, the significance of the impact of coordination and cooperation must be assessed to determine whether it has a positive effect that serves the public interest and contributes to the protection of public funds, or whether this impact is characterized by limitations and obstacles that could lead to negative consequences for the common good. Undoubtedly, the relationship between internal auditing and external auditing is complementary, with each supporting the other. This synergy can only be achieved through high levels of professionalism, respect, and trust between the internal and external auditing parties.

Moreover, this coordination and cooperation can effectively enhance audit quality and facilitate the exchange of expertise and knowledge among audit team members, as well as reduce efforts in audit and control procedures. Some studies have praised the role of coordination and cooperation in improving audit quality (Dahesh and Al-Mamouri, 2021), based on INTOSAI Recommendation 9150. However, these studies did not address whether there is a resultant effect on enhancing performance quality, increasing the efficiency of regulatory bodies, safeguarding public funds,

or predicting surrounding risks, nor did they examine whether there is any added value for the Audit Bureau.

Objectives of the study:

The study aims to achieve a set of objectives, the most important of which is to determine the extent of the impact of coordination and cooperation among regulatory bodies in the state through application to Libyan oil companies, as follows:

- Identify the impact of coordination and cooperation between the Audit Bureau and internal auditors in terms of audit efficiency and quality.*
- Determine whether there is added value for the Audit Bureau resulting from its collaboration with the internal auditing bodies in these companies.*
- Define the correct principles for coordination and cooperation among regulatory bodies in the state and identify communication channels.*
- Assess the risks and threats that may affect the level of coordination and cooperation among regulatory bodies in Libya.*
- Reach conclusions from this study to propose solutions if issues are identified or to provide suggestions that could enhance oversight mechanisms.*

Study hypotheses and questions.

The differences among societies, the changing concepts within them, and the varying ethical standards among individuals in the same community, as well as the effectiveness of the laws in force in these countries, all significantly impact the safeguarding of public funds. Therefore, what may be measured in one community may have a different effect in another. This study seeks to answer its main question:

Is there an effect of coordination and cooperation between the Audit Bureau and internal auditors on the quality of auditing in Libyan oil companies, and does it provide added value to the Audit Bureau?

This main question branches into the following sub-questions:

- Is there an effect of meetings and the exchange of opinions as a measure of coordination and cooperation between the Audit Bureau and internal auditors in enhancing the quality of auditing in Libyan oil companies?*
- Is there an effect of the independence of auditors as a measure of coordination and cooperation between the Audit Bureau and internal auditors in enhancing the quality of auditing in Libyan oil companies?*
- Is there an effect of shared responsibility and trust as a measure of coordination and cooperation between the Audit Bureau and internal auditors in enhancing the quality of auditing in Libyan oil companies?*
- Is there an effect of professional commitment as a measure of coordination and cooperation between the Audit Bureau and internal auditors in enhancing the quality of auditing in Libyan oil companies?*

Thus, the hypotheses of the study can be formulated as follows:

- **Main Hypothesis H01:** There is no effect of coordination and cooperation between the Audit Bureau and internal auditors at a statistical significance level ($\alpha \leq 0.05$) on enhancing the efficiency*

and quality of auditing in Libyan oil companies and providing added value to the Audit Bureau.

From this main hypothesis, the following sub-hypotheses emerge:

- ***Sub-Hypothesis H01-1:*** *There is no effect of meetings and the exchange of opinions as a measure of coordination and cooperation between the Audit Bureau and internal auditors on the quality of auditing in Libyan oil companies.*
- ***Sub-Hypothesis H01-2:*** *There is no effect of auditor independence as a measure of coordination and cooperation between the Audit Bureau and internal auditors on the quality of auditing in Libyan oil companies.*
- ***Sub-Hypothesis H01-3:*** *There is no effect of shared responsibility and trust as a measure of coordination and cooperation between the Audit Bureau and internal auditors on the quality of auditing in Libyan oil companies.*
- ***Sub-Hypothesis H01-4:*** *There is no effect of professional commitment as a measure of coordination and cooperation between the Audit Bureau and internal auditors on the quality of auditing in Libyan oil companies.*

Study Approach.

This study adopted a descriptive analytical approach to describe its variables, as well as a quantitative analytical approach. A questionnaire was used to collect data, which was distributed to the study population to analyze and interpret the interrelated relationships among the statistical results in order to determine the impact of independent variables on dependent variables.

The limits of the study:

Spatial boundaries: *This study was applied to oil companies operating in Libya, whether these companies are wholly owned by the Libyan state, commonly referred to as national companies, or companies that are characterized by partnerships in which the Libyan state holds a stake.*

Time limits: *The temporal boundaries of this study are represented by the period of its application during the year 2024.*

Study plan.

To achieve its objective, this study will be structured into a series of chapters, each containing several sections to elucidate and clarify all its theoretical and practical aspects in an academic manner. The researcher hopes that this study will contribute a new scientific value that has not been addressed by previous researchers.

Accordingly, the structure of the study will be divided as follows:

Chapter Two: Theoretical Framework and Scientific Concepts

- ***Section One: The General Framework of the Audit Bureau***
 1. *Definition of the Audit Bureau.*
 2. *History of the Audit Bureau and its legal development in Libya.*
 3. *Job description of the Audit Bureau in Libya.*
 4. *Functions and authorities of the Audit Bureau.*
- ***Section Two: Internal Control***
 1. *Concept of internal control.*
 2. *Types of internal control and their components.*
 3. *Procedures of internal control.*
- ***Section Three: Internal Audit***
 1. *Concept of internal audit.*
 2. *Importance and objectives of internal audit.*
 3. *The relationship between internal audit and internal control.*

Chapter Three: Coordination and Cooperation among Regulatory Bodies

- ***Section One: General Concept of Coordination and Cooperation***
 1. *Importance of coordination and cooperation.*
 2. *Objectives of coordination and cooperation.*
 3. *Foundations of coordination and cooperation.*
- ***Section Two: Coordination and Cooperation According to International Standards***
 1. *Coordination and cooperation among regulatory bodies from a professional perspective.*
 2. *Coordination and cooperation among regulatory bodies from a legal perspective.*

Chapter Four: Statistical Analysis

- ***Section One: Description of the Study Variables***
 1. *Dependent variables.*
 2. *Independent variables.*
- ***Section Two: Testing Data Suitability***
 1. *Test for normal distribution.*
 2. *Test for multiple linear correlation.*
 3. *Autocorrelation.*
- ***Section Three: Testing the Study Hypotheses***
 1. *Testing the first hypothesis of the study.*
 2. *Testing the second hypothesis of the study.*
 3. *Testing the third hypothesis of the study.*
 4. *Testing the fourth hypothesis of the study.*

Chapter Five: Results and Recommendations

- ***Section One: Results***
- ***Section Two: Recommendations***

- *Section Three: Conclusion*

Chapter Two: Theoretical Framework and Scientific Concepts

2.1 - Section One: The General Framework of the Audit Bureau

The names of supreme financial and accounting oversight bodies have changed and diversified, as these are considered the highest and most effective tools for monitoring public funds in any country. In most countries, these supreme oversight bodies are referred to as the Audit Bureau. The Audit Bureau should possess independent legal personality, and it is typically subordinate to the highest legislative authority in the country. The Audit Bureau operates according to international accounting standards and financial oversight standards for public sectors to achieve a set of goals, which include ensuring the quality of financial reports, enhancing transparency, and providing reliability and credibility to these reports, as well as defining the responsibilities of financial auditors in the public sector and outlining all oversight operations and related concepts to safeguard public funds.

2.1.1 - First: Definition of the Audit Bureau

The Audit Bureau is considered a regulatory body that possesses an independent administrative judicial character. It derives this character from two sources: first, its subordination to the highest legislative authority in the state, and second, from the nature of its work, duties, and assigned tasks. The Audit Bureau's responsibilities include financial oversight in both its accounting and legal aspects, carried out by qualified technical staff from various professional disciplines such as accounting, management, law, and economics, enabling them to effectively fulfill their regulatory role, whether it be prior, concurrent, or subsequent oversight. This includes identifying financial and legal violations according to accounting and auditing standards, as well as monitoring the policies and plans established by the state to achieve the desired objectives in various public sectors.

2.1.2 - Second: The History of the Audit Bureau and Its Legal Development in Libya

The Audit Bureau in Libya was established in 1955 under Law No. 31, which appointed a president of the bureau by a decree issued by the Prime Minister. The president of the bureau holds the authority of a minister in managing the bureau and appoints a deputy to take over in their absence. The president has the authority to set the bureau's budget according to its organization and operations.

In 1962, Law No. 22 was issued, which made some administrative amendments to the provisions and articles of Law No. 1955. Some articles were replaced, particularly regarding the subordination of the president, members, and employees of the Audit Bureau to the Civil Service Law, thus applying its provisions to them. This law also allowed public entities not subject to the Audit Bureau's oversight to request the bureau to review and examine their accounts.

In 1966, a royal decree was issued to organize the work of the Audit Bureau, emphasizing its independence. The president of the bureau is appointed by royal decree and not by the Prime Minister to ensure the president's independence. Additionally, the decree prohibited the president and employees from working in other entities or engaging in any private activity, regardless of its nature, and they could not hold any other public office. The royal decree also established disciplinary committees to hold the president and members of the Audit Bureau accountable.

After the transition from a monarchy to a people's system in Libya in 1966, the names and functions of the Audit Bureau changed or were replaced by alternative oversight bodies. It was renamed the People's Monitoring Authority under Law No. 16 of 1986. This law merged the Audit Bureau with the Administrative Oversight Authority and the People's Monitoring Authority into a single entity, which was later abolished by Law No. 11 in 1996, replaced by the People's Inspection and Oversight Authority.

The Audit Bureau continued to face fluctuations in Libya regarding its name, merging, and responsibilities. Law No. 13 was issued in 2003, which

annulled the merger of the Audit Bureau and the Administrative Oversight Authority and the People's Monitoring Authority, redistributing tasks to the Financial Oversight Authority and the People's Inspection and Oversight Authority, which assumed the oversight role after the abolition of the Financial Oversight Authority in 2006 based on General People's Congress Decision No. 5, leading to the establishment of the Financial Review Authority.

In 2011, Decision No. 119 was issued to re-establish the Audit Bureau and reactivate Law No. 11 of 1966, merging the two entities, the People's Inspection and Oversight Authority and the Financial Review Authority, into the Audit Bureau, while abolishing any conflicting laws. In 2013, Law No. 19 was enacted, separating administrative oversight from financial oversight and reorganizing the work of the Audit Bureau.

2.1.3 - Third: Job Description of the Audit Bureau in Libya

The Audit Bureau in Libya comprises several general administrations, sub-departments, technical and administrative offices, which are designated and assigned by decisions issued by the president of the bureau. The bureau has branches and departments spread across Libya. There are seven general administrations within the Audit Bureau, which include:

- 1. The General Administration for Contract Examination and Monitoring*
- 2. The General Administration for Public Accounts Examination*
- 3. The General Administration for Military Accounts Examination*
- 4. The General Administration for Accounts of Authorities and Institutions*
- 5. The General Administration for Energy Accounts Examination*
- 6. The General Administration for Company Accounts Examination*
- 7. The General Administration for Planning and Information*

In addition, the bureau hosts several departments that organize its operations, such as the General Administration for Finance and Administrative Affairs, the Internal Audit Department, and Inspection and Monitoring Offices, along with the Financial Violations Office.

The Libyan Audit Bureau is officially headquartered in Tripoli, which contradicts Law No. 11 of 1966, which stipulates that the main headquarters should be in Benghazi, where the largest branch of the Audit Bureau is located. The concentration of the Audit Bureau in Tripoli is likely due to the presence of all sovereign ministries, as well as most public companies, sectors, and commercial bank administrations.

Chapter Two: Proposed Framework for Coordination and Cooperation Between the Court of Accounts and Internal Auditors in Government Sectors

The most significant threat to the economies of nations is the proliferation of economic crimes and the waste of public resources due to negligence, rampant corruption, weak oversight bodies, and the absence of the rule of law.

As indicated by the findings of this study, there is considerable importance in the coordination and cooperation between supreme oversight bodies and internal auditors in Libya's oil sector. This coordination plays a vital role in enhancing the quality of auditing, which in turn provides added value to supreme oversight bodies, enabling them to detect corruption before it occurs and to uncover financial and administrative violations at early stages.

Therefore, we propose that the coordination and cooperation between oversight bodies, specifically the Court of Accounts, and internal auditors in all public sectors—not just the oil sector—should be based on the following principles and steps:

First: Professional Foundations for Coordination and Cooperation

Coordination and cooperation between oversight entities must adhere to specific foundational principles that cannot be overlooked or underestimated. These foundations are encapsulated in the acronym CRIME, inspired by the role assigned to oversight bodies in combating financial corruption and the financial and administrative crimes that lead

to the collapse of public sector capabilities and the squandering of national wealth.

The following model, designed by the researcher, presents a modest proposal that defines these foundational principles based on the recommendations of INTOSAI in this regard, as well as on auditing standards and the duties and responsibilities of supreme oversight bodies. This model serves as a building block to establish the framework and principles for coordination and cooperation between the Court of Accounts and internal auditors in government sectors and companies.

Illustration 1 CRIME model



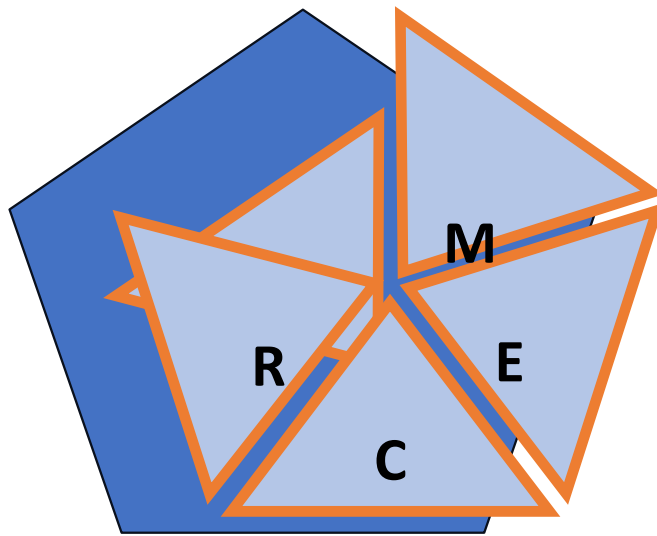
Illustration 2: Foundations of Coordination and Cooperation

The following foundational principles, essential for coordination and cooperation between oversight bodies and internal auditors, are outlined along with their related procedures:

1. **Direct and Indirect Communication:** Ensuring effective communication channels for information exchange, both formal and informal.
2. **Responsibility:** Clearly defining roles and responsibilities to promote accountability among all stakeholders.
3. **Independence:** Maintaining the independence of internal auditors to ensure objectivity and impartiality in their assessments.
4. **Oversight:** Establishing robust oversight mechanisms to monitor compliance and effectiveness of actions taken.
5. **Evaluation:** Implementing regular evaluation processes to assess the effectiveness of coordination efforts and identify areas for improvement.

Each of these foundational principles is linked to a set of important procedures, represented in the accompanying triangle diagrams. These diagrams illustrate the essential elements of coordination and cooperation between oversight bodies and internal auditors, emphasizing their interconnections and the overall framework for effective collaboration.

PENTAGON OF CRIME



From the Previous Pentagon Diagram

The previous pentagon diagram contains five triangles, each representing a letter from the acronym CRIME, as illustrated in the first diagram. These triangles encapsulate the procedures proposed by the researcher, serving as a professional methodology for coordination and cooperation between supreme oversight bodies and internal auditors in the public sector, as follows:

1. Triangle of Communication

Oversight bodies should establish all communication channels with auditors in the public sector through the following means:

1.1 Interconnection: *Interconnection is a crucial aspect of effective communication with other parties. In our context, this entails participating in regular meetings with public sector entities, which broadens external*

auditors' understanding of governmental operations. This engagement enhances the professional perspective of external auditors, enabling them to comprehend sensitive issues within the audited entity and gain a deeper understanding of the oversight system. It is essential that external auditors maintain their independence and do not become part of the staff at the audited entity.

*1.2 **Visits:** The external auditor should engage effectively by seeking clarifications or explanations for any ambiguities. This includes conducting field visits at various times to observe operations firsthand, as well as noting the psychological and emotional expressions of internal auditors, which may influence professional judgment.*

*1.3 **Indirect Communication:** Additional communication channels should be opened through electronic means or mail to allow for the submission of reports, even anonymously. Some individuals who discover financial or administrative violations, or witness any form of corruption, may fear for their jobs or personal safety. Therefore, it is vital to establish secure reporting mechanisms that do not jeopardize the whistleblower.*

2. Triangle of Responsibility

Responsibility in this context is divided into three levels:

*2.1 **Compliance Responsibility:** This refers to the professional commitment of the auditor, which underpins impartial professional judgment. This commitment can only be realized by adhering to the ethical standards required by the accounting and auditing professions.*

2.2 Conformance Responsibility: *This involves the application of accounting standards and auditing standards, as well as adherence to applicable laws and regulations. It is crucial to avoid any professional or legal errors that could harm the integrity of the auditing profession.*

2.3 Competence Responsibility: *Oversight bodies must not allow any trainee auditor to review public sector entities, as this would directly undermine the profession. A trainee auditor may be subject to ridicule due to a lack of professional competence. Oversight bodies should ensure that auditors undergo professional assessments and adequate training to represent the oversight authority appropriately.*

3. Triangle of Independence

Independence is the freedom from conditions and circumstances that threaten the auditor's ability to carry out audit tasks impartially, in accordance with Standard 1100. There are three critical aspects that auditors must pay careful attention to:

3.1 Neutrality: *Auditors must remain neutral, ensuring that their professional judgments or decisions are not influenced by any internal or external factors, whether material or non-material. Succumbing to temptations or fears of threats (rewards or penalties) undermines the auditor's independence. Therefore, professional standards allow auditors to request exemption from audit activities, provided they offer justifiable reasons for declining.*

3.2 Objectivity: *Objectivity serves as the mental and intellectual foundation for professional judgment. It is essential to avoid any conflicts*

of interest related to auditing due to bias, negligence, or professional dereliction.

*3.3 **Policies:** External auditors must adhere to the policies established by their country's supreme oversight authorities. They should execute their duties as required, ensuring that these policies do not compromise their independence. For instance, auditors should not be tasked with auditing a governmental entity headed by a relative or be expected to compromise their duties in favor of personal relationships. These policies encompass all procedures essential to professional conduct, provided they do not infringe upon the auditor's independence.*

4. Triangle of Monitoring

The Court of Accounts' monitoring of public sector operations relies on a triangle that focuses on the monitoring of operational processes, identifying violations, and documenting findings as follows:

*4.1 **Monitoring Operational Processes:** Monitoring financial operations within the public sector allows auditors from the Court of Accounts to understand the nature of the sector's work and the oversight system. This enhances trust between the Court's auditor and internal auditors, facilitating a more receptive attitude towards the advice and guidance provided. Furthermore, it enables the Court's auditor to actively contribute to evaluating the oversight system in this sector and address immediate issues in a timely manner.*

*4.2 **Surveillance:** Regular visits by the Court's auditor help identify weaknesses within the oversight system and detect financial and administrative violations. This is achieved through direct observation of*

operational processes and the exchange of financial reports, which reinforces trust with internal auditors.

4.3 Documentation: *Documentation here refers to recording all findings obtained by the Court's auditor to assess and identify deficiencies in oversight systems. This practice avoids reliance on the auditor's memory, allowing the Court of Accounts to reference these documents whenever there is a change in personnel or if previously documented deficiencies have not been addressed.*

5. Triangle of Evaluation

The work of the Court of Accounts carries significant sensitivity and importance, hinging on the quality of its reports, which should reflect high standards of efficiency and professionalism. Consequently, the evaluation of the Court's work should be based on the following principles:

5.1 Evaluating Inspection Results: *The Court of Accounts should assess the findings of its auditors to identify shortcomings in various oversight systems across public sectors and address them promptly. It is vital to ensure that these findings are realistic, grounded in the highest professionalism, and characterized by neutrality and credibility.*

5.2 Evaluating Auditors: *Given the importance of the Court of Accounts and its independence, it is essential to evaluate its auditors concerning their professional qualifications, adherence to auditing standards, and whether their independence has been compromised due to their coordination and cooperation with internal auditors. Additionally, it is important to ensure that auditors do not exceed the powers granted to them under relevant regulations and legislation.*

5.3 Risk Assessment: Risk evaluation is a critical priority for external auditors and auditors within supreme oversight bodies and the Court of Accounts. The nature of the Court's oversight role extends beyond merely identifying professional, financial, and administrative violations in public sectors. It is imperative for oversight bodies to anticipate future risks, identify their nature and timing, and assess their potential impact on public sectors. This proactive approach enables these bodies to address risks promptly, thereby preventing the occurrence of economic crimes.

Results.

The study reached several key findings summarized as follows:

- 1. **Significant Impact of Coordination and Cooperation:** There is a significant impact of coordination and cooperation between the auditors of the Audit Bureau and internal auditors in the oil and gas sector in Libya, particularly in terms of effective communication through meetings and the exchange of opinions. This dimension is crucial in deepening relationships among audit parties and providing immediate solutions to professional challenges, as well as breaking down barriers between the Audit Bureau auditor and the internal auditor. This contributes to enhancing the efficiency of the Audit Bureau auditor due to the evaluation of control systems in oil companies and discussions of evolving risks in the auditing profession. This contrasts with the findings of Azouaou (2023), which indicated a weak relationship between external and internal auditors due to difficulties faced by audit committees and a lack of effective communication.*
- 2. **Impact of Independence:** There is an effect of coordination and cooperation between the audit parties (Audit Bureau auditor and internal auditor) concerning the aspect of independence. Both parties aim to achieve the same goals, and confidentiality of work is a shared responsibility. There are no restrictions on the work of the Audit Bureau auditor, which aligns with the study by Dahesh and Al-Mamouri (2021) on the effect of effective coordination and cooperation on audit quality. This indicates that internal auditors in oil companies enjoy a significant degree of professional independence, likely due to the National Oil Corporation's*

commitment to both internal and external training for internal auditors, enhancing their professional competence and understanding of the Audit Bureau auditor's role, as well as sharing responsibility with them.

3. *Effective Coordination in Quality Improvement:* *There is an effective impact of coordination and cooperation between the Audit Bureau auditor and the internal auditor in improving audit quality, stemming from the trust between the two parties and the external auditor's reliance on the internal auditor's work results. This reduces time and effort, as the relationship is not adversarial. The external auditor provides advice and guidance to the internal auditor, and confidential documents are not withheld from the Audit Bureau auditor. The timely exchange of reports allows for the resolution of emerging issues promptly, thereby enhancing audit quality. This aligns with the findings of Sangkala (2024) but differs from the findings of Hamid and Safaa (2018), which highlighted delays in issuing financial reports and addressing immediate issues due to a lack of qualified personnel.*

4. *Professional Commitment:* *Professional commitment has a prominent effect on the coordination and cooperation between the Audit Bureau auditor and the internal auditor, attributed to the regular visits by the Audit Bureau auditor to oil companies, providing necessary support to the internal auditor, and documenting risk-based audit plans. The collaboration between the two parties and the reliance of the external auditor on the internal auditor's work do not affect the assessment of risks arising from audit operations. This concurs with the results of Hamdan and*

Alaska (2016), indicating that coordination and cooperation must be based on professional commitment.

5. ***Quality Improvement in Auditing:*** *The coordination and cooperation between the auditors of the Audit Bureau and the internal auditors of oil companies significantly improve audit quality across all dimensions of the study, particularly the shared responsibility and trust, followed by professional commitment, and then communication as evidenced by meetings and the exchange of opinions. The variable of independence ranks last with a medium evaluation score.*
6. ***Added Value to the Audit Bureau:*** *Coordination and cooperation between the auditors of the Audit Bureau and the internal auditors in the oil sector provide added value to the Audit Bureau by enabling auditors to address immediate issues timely and provide necessary support to internal auditors working in the oil and gas sector. This understanding of the nature of this vital sector, which Libya relies on heavily for the development of all other sectors, is essential since it is the sole source of the country's growth.*
7. ***Professional Awareness:*** *This study reveals that the coordination and cooperation between the higher regulatory bodies and auditors in oil companies are based on professional commitment and shared responsibility among the audit parties, stemming from the professional awareness within the oil and gas sector that the auditors possess.*

Recommendations:

Given the clear importance of coordination and cooperation among audit parties as indicated by the results of this study, and the significant impact of this coordination and cooperation on audit quality and the added value for the Audit Bureau, the researcher recommends the following:

- 1. **Strengthen Professional Relationships:** Enhance professional relationships among audit parties through effective communication between the Audit Bureau auditors and internal auditors, ensuring that this communication is based on professional commitment, trust, the exchange of opinions, and regular meetings.*
- 2. **Unify the Audit Bureau and Other Regulatory Bodies:** Consolidate the Audit Bureau with other regulatory bodies while clearly delineating their competencies and tasks, which have caused friction between the Audit Bureau and the governmental sector.*
- 3. **Enforce the Law:** Activate the rule of law and impose penalties on anyone found to have mismanaged public funds or manipulated state resources, as well as on anyone who commits any form of administrative or financial misconduct.*
- 4. **Adaptation for Other Sectors:** While we cannot definitively assert that the findings of this study apply to other sectors, it is essential to establish appropriate mechanisms to achieve this cooperation in a way that does not affect risk assessment and the independence of auditors, ensuring maximum benefit for audit quality and added value for the Audit Bureau across all government sectors.*
- 5. **Propose a Coordination Framework:** Study the proposed framework for coordination and cooperation between the Audit Bureau and governmental sectors, assessing its effectiveness.*

The reviewer:

Arabic references:

- الهيئة السعودية للمحاسبين القانونيين (SOCPA) ، 2000 ، معيار الرقابة الداخلية لمراجعة القوائم المالية.
- ادريس, جلالة الملك، 1955. قانون رقم 31 لسنة 1955 م بإنشاء ديوان المحاسبة . ليبيا: الجريدة الرسمية العدد 9.
- اسراء, بدر، " 2009. العلاقة التكاملية بين التدقيق الداخلي والتدقيق الخارجي واثرها على جودة العمل التدقيقي ". اطروحة دكتوراه، كلية الادارة والاقتصاد، جامعة بغداد العراق .
- الججاوي, طلال ,و محمد الزرفي " 2018. أطار مقترح لحوكمة لمؤسسات البلدية للحد من عمليات الأحتيال بحث تطبيقي في المؤسسات البلدية لمحافظة بابل "مجلة دراساتمحاسبية ومالية . 38:62
- الحسينان, عطائه . 2009. الرقابة الداخلية والتدقيق في بيئة تكنولوجيا المعلومات . عمان: دار الياة-الاردن.
- الدهراوي, كمال, ومحمد السيد سرايا . 2006. دراسات متقدمة في المحاسبة والمراجعة . الاسكندرية: المكتبة الجامعية الحديثة.
- الصبان, محمد سمير ، 1988. الاصول العلمية للمراجعة بين النظرية والممارسة .بيروت: دار النهضة العربية.
- الصحن, عبد الفتاح ,و فتحي السوافيري . 2004. الرقابة والمراجعة الداخلية . الاسكندرية: الدار الجامعية.
- الكاديكي, أحمد ,و نيرمين النعاس " 2020. أطار مقترح لتطوير دور الأجهزة الرقابية في تقويم أنظمة الرقابة الداخلية بالمؤسسات الحكومية الليبية "مجلة جامعة بنغازي العلمية 96-107.

- المنظمة الدولية للأجهزة العليا والرقابة المالية والمحاسبية. 2017. *التنسيق والتعاون بين الأجهزة العليا للرقابة المالية والمحاسبة والمدققين الداخليين في القطاع العام*. Professional Standards Committee, AUSTRIA: INTOSAI General Secretariat.
- حسو, جاسم". 2018. تفعيل اجراءات الرقابة الداخلية للحد من مخاطر استخدام تكنولوجيا المعلزومات في النظام المحاسبي الالكتروني "مجلة تكريت للعلوم الادارية والاقتصادية- المحور المحاسبي. 10:27.
- حميد, طالب, و أحمد محمد صفاء". 2018. مدى إيفاء ديوان الرقابة المالية الاتحادي بمتطلبات جودة تقارير رقابة الاداء وفق معيار الانتوساي 3000 "مجلة كلية الرافدين الجامعة للعلوم. 20-49.
- خضير, مصطفى، عيسى. 1996. *المراجعة المفاهيم والمعايير والاجراءات*. المملكة العربية السعودية: مكتبة الملك فهد الوطنية للنشر والتوزيع.
- داهش, رائد, و علي المعموري". 2021. دور التنسيق و التعاون المشترك في رفع جودة التدقيق وفقا لمعيار الانتوساي : (9150) بحث تطبيقي في الشركة العامة لتسويق الأدوية و المستلزمات الطبية-كيماديا ".(مجلة دراسات المحاسبية والمالية، جامعة بغداد -177- 200.
- طواهر, محمد التهامي, و مسعود الصديقي. 2003. *المراجعة وتدقيق الحسابات الإطار النظري والممارسة التطبيقية*. الجزائر: ديوان المطبوعات الجامعية.
- عبد الجبار, منى حيدر". 2015. دور التدقيق الداخلي في الوقاية من الفساد وانعكاسه على التطوير والاصلاح الاداري في الوحدات الاقتصادية "جامعة بغداد. 13-32.
- كافي, مصطفى يوسف. 2013. *الازمة المالية الاقتصادية العالمية وحوكمة الشركات*. عمان: مكتبة المجمع العربي للنشر والتوزيع.

- لطفي, امين السيد احمد، " 2000. دراسة اختباريه لتأثيراستخدام وسائل دعم القرار على تقييم المراجعين لمخاطر غش الإدارة واختيار استراتيجيات المراجعة اللاحقة، "مجلة الدراسات المالية والتجارية، كلية التجارة جامعة بني سويف .160-123
- مجلس قيادة الثورة .1970. قانون رقم 24 لسنة 1970 م بشأن المؤسسة الليبية الوطنية للنفط .التشريعات والقوانين, طرابلس: الجريدة الرسمية.
- مطر, محمد, و موسى السويطي .2009. التأسيس النظري للممارسات المهنية المحاسبية في مجالات العرض والقياس والافصاح .عمان- الاردن: دار وائل للنشر والتوزيع.
- هنري, فايول .1916. الادارة العامة والصناعية .فرنسا.

Foreign references:

- *Al-Alusi, Hazem Hashem. 2003. The Path to the Science of Auditing and Auditing . Tripoly: Open University.*
- *Andaya, Khaled. 2014. "Coordination and Cooperation between Internal and External Auditors." Research Journal of Finance and Accounting 2222-2247.*
- *Bartlett, D, and kremin Kelli. 2015. "Attracting Applicants for In-House and Outsourced Internal Audit Positions." Accounting Horizons 143-156.*
- *Douglas F. Prawitt, Y, SHARP NATHAN, and A. WOOD DAVED. 2012. "Internal Audit Outsourcing and the Risk of Misleading or Fraudulent Financial Reporting: Did Sarbanes-Oxley Get It Wrong?" Contemporary Accounting Research 1109-1136.*

- *Dumitrescu, Diana, and Nicola Bobitan. 2016. "Annals of Constantan Brancusi University of Targu-Jiu." Economy Series 87-92.*
- *ECIIA. 2013. "European Confederation of the Institute of Internal Auditors." Improving Cooperation between Internal and External Audit.*
- *Gershenson, Dmitry. 2023. IMF Staff Concludes Visit to Libya. Washington, DC: IMF Communications Department.*
- *Hamdan, Mohamed Naser, and Mohamed Alhadar Alaska. 2016. "Extent of Coordination and Cooperation between the Accounting Bureau and the Internal Auditors in the Jordanian Public Sector." International Journal of Academic Research in Accounting, Finance and Management Science 251-267.*
- *James, k Loebbecke, and Arens A Alvin. 1994. Auditing: An Integrated Approach. Newjersy: Prentice Hall.*

- *Krishnan, Jayanthi. 2005. "Audit Committee Quality and Internal Control: An Empirical Analysis." The Accounting Review 649-675.*
- *Rizaldi, A. 2015. "Control environment analysis at government internal control system: Indonesia case." Procedia-Social and Behavioral Sciences 844:850.*
- *Sangkala, Masnawaty. 2024. "The Importance Of Coordination Between Internal And External Audit in The Administrative Process." TRANSEKONOMIKA: Akuntansi, Bisnis dan Keuangan 264-273.*

1- References from websites:

- *ازواو, ليلي بن. 2023. دور لجان المراجعة في الرقابة على جودة التدقيق ". .
<http://dspace.univ-batna.dz/xmlui/handle/123456789/6728>. .*
- *INTOSAI. 2019. International Standards of Supreme Audit Institutions. www.issai.org .*