UNIVERSITI TEKNOLOGI MARA

THE ROLE OF INTERNAL AUDIT IN RISK MANAGEMENT: A CASE STUDY IN UNISHAMS FROM EMPLOYEE PERSPECTIVES

NURUL HANISAH BINTI MOHD ISA

Thesis submitted in fulfillments
of the requirements for the degree of
Bachelor Of Muamalat (Hons)

Faculty of Academy Contemporary of Islamic Studies

January 2025

ABSTRACT

This study explores the role of Internal Audit Functions (IAF) in supporting risk management at Sultan Abdul Halim Mu'adzam Shah International Islamic University (UniSHAMS). Internal audits are vital for promoting good governance, ensuring transparency, and improving operational efficiency, especially in the context of higher education institutions. However, internal auditors often face challenges such as limited resources, lack of support, and insufficient training, which can hinder their ability to carry out their responsibilities effectively. The research adopts a qualitative approach, combining open-ended interviews and document analysis to better understand the gaps in internal audit practices. The study involves three internal auditors, each with over a decade of experience at UniSHAMS. The key patterns and underlying issues were identified through thematic analysis, providing a detailed view of how internal audit processes function at the university. The findings highlight how the effectiveness, challenges, and implementation of internal audit processes directly impact its role in UniSHAMS. These factors not only foster greater accountability and compliance but also contribute to enhancing overall institutional performance. This research offers valuable insights for researchers, university management, and the wider community on improving internal audit practices and addressing systemic issues more effectively.

Keywords: Internal Audit, Effectiveness, Size team, Private University

ACKNOWLEDGEMENT

Firstly, I would like to thank Allah S.W.T for allowing me to embark on my degree and successfully complete this long and challenging journey. Thank you for granting me strength, health and guidance in completing my journey or else this journey would not be impossible.

I would like to grant my gratitude and thanks to my supervisor Ustazah Nik Muniyati binti Nik Din. With her consent and guidance, finally, I can finish my thesis. Her encouragement has been instrumental in the success of this final year project. Also, a special thank you to my examiner Dr. Ahmad Nazri Mat Zin for taking full responsibility to examine my academic writing with patience.

Next, my appreciation goes to the team leader of the Internal Audit Unit, Pn. Nurulhuda binti Basri who provided the facilities and assistance during my internship. Special thanks to my colleagues and friends for helping me with the internship and for their cooperation and willingness to share the essential data and information for this research.

Finally, this thesis is dedicated to my very dear father, for their vision and determination to educate me. This piece of victory is dedicated to both of you. Alhamdulilah.

TABLE OF CONTENTS

1.1 Research Background

There are many people out there who may be afraid of failure. However, there is no way we will grow unless we leave our comfort zone and take risks. Mark Zuckerberg once said, “The biggest risk is not taking any risks. In a rapidly changing world, the only strategy guaranteed to fail is not taking any risks.” So taking risks is a big decision in someone’s life to become a better person. However, it is different from taking risks in an organization where they must deal with the fear of the risks that will have a negative impact and likelihood on the organization. The main question here is, why do we need risk management? And what can we do to overcome or mitigate the risk? -because it is a legal requirement depending upon the industry or sector. An internal audit is one of the steps in mitigate risks and making internal controls more effective. (Kajwang, B., 2023).

Internal audit plays a critical role which is important to improve the reliability of information used for investment and credit decisions. We cannot turn away from the risk that occur, but we must face the risk to avoid any losses in the future.(Elliott, et. al, 1998). Internal auditing in risk management has gained prominence in recent years due to increasing corporate governance standards and regulatory frameworks. It primarily involves evaluating the efficiency of risk management processes and ensuring that the organization’s internal controls adequately address the myriad risks they face from the financial, operational, legal, and reputational perspectives. Internal audits help improve ethical behavior, efficiency, and effectiveness in organizations by facilitating learning from audits and involving top management support. (Jia-Chun, Z., 2012).

Several authorized auditing firms in Malaysia are mainly responsible for auditing and accounting. The auditing and accounting firm in Malaysia must be authorized by Malaysia’s regulatory bodies, such as the Audit Oversight Board (AOB) under the Securities Commission Malaysia (SC),and is registered with the Malaysian Institute of Accountants (MIA). However, every company like organization, firm, agency, industry, and even in an institution in any type of multifaceted nature and business is regulated by government law including for public and private university. Indeed, everything in this corporation worlds need guides and references in other to keep up the good work and compliance with the regulations and administration. Therefore, it is an important for a corporation to appoint an auditor to assure the company are compliance with the regulations and legal requirements and maintain financial transparency. (Rumiyati, R., & Nusa, N., 2024)