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Internal auditing and the impact of the accounting information system on its quality

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Abstract

The objective of this study is to illustrate the impact of the accounting information system on auditing and its quality, as well as the resulting conclusions of auditing influenced by this information, acquired from information providers represented by account managers. The research findings indicate that the implementation of the accounting information system has beneficial impacts on the efficiency of internal auditing. This is achieved by supplying the essential information required for producing accurate findings at the right moment. Moreover, the effective deployment of the accounting information system enables the successful execution of internal audits and enhances its precision. The report advised enhancing the dependence on the implementation of accounting information systems in banks and guaranteeing that the institution is consistently furnished with contemporary equipment and upgraded accounting software.

Keywords: Internal auditing, accounting software, contemporary equipment, information system

Introduction

Accounting is considered one of the languages of transactions and the language of financial, economic, and even social affairs. It is also regarded as one of the business languages. It is responsible for recording all economic, financial, and social relationships in numerical terms. Therefore, every organization or institution manager must use basic accounting information in managing their business. This information is considered the foundation for decision-making, understanding business outcomes, and recognizing various investment avenues and sources of funds. Thus, the primary function of accounting is to create an organized record of all daily financial and economic activities expressed in numbers and monetary units (Najm, 2013, p. 256)^[8].

Significant advancements have occurred in the accounting information system, particularly in its transformation from a basic bookkeeping and transaction recording system to a fully integrated information system inside the organization. The accounting information system is one of the essential systems in an organization. The evolution of this system has encompassed a wide range of information and data with numerous processing methods. Additionally, it offers significant speed and exceptional accuracy in preparing reports at minimal costs (Mousa, 2013, p. 57)^[7].

Furthermore, the accounting information system is considered one of the most important systems for an institution, as it contains vital information that helps the institution's management perform tasks efficiently and effectively. This system provides information that contributes to various managerial decisions and achieves the highest level of control over the institution's activities. Here, it becomes evident that the efficiency or inefficiency of the accounting information system will determine the success or failure of the institution in achieving its goals. The accounting information system can be defined as "a system that collects, records, stores, and processes data to produce information for decision-makers, helping them make appropriate decisions". It is also defined as "that part or subsystem of the institution's information system that is concerned with collecting, processing, storing, and conveying accounting and financial information to its users inside and outside the institution".

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The accounting information system is defined as "a set of principles and methods by which data and information are collected within the institution in a way that enables the achievement of administrative goals. Through this system, economic transactions recorded in documents, whether internal or external, are expressed in monetary values, then recorded in internal records, ledgers, and statements according to specific rules and principles, with the aim of providing information in the form of accounting reports for consecutive periods to be used for various purposes such as planning, control, and decision-making" (Helmy *et al.*, 2003, p. 20) ^[5].

The extensive use of electronic technologies and computers in most institutions for high-volume financial data processing has greatly influenced the function of the accounting information system in these organizations. In order to facilitate the accounting information system in effectively addressing various challenges and issues encountered by the institution, and to have a crucial impact on financial and economic decision-making across all management areas, it is imperative to consistently monitor, assess, and manage the system to keep pace with unforeseen developments in the institution's operations. This is particularly important in light of the technological advancements that occur continuously in the contemporary economic and business environment (Mousa, 2013) ^[7].

To effectively perform its role in administrative processes and assist recipients and users in fulfilling their assigned tasks and making sound decisions, the accounting information system must provide information that possesses several key attributes, summarized as follows (Al-Shanti, 2013, p. 109) ^[4]:

- **Accuracy:** The information provided should be free from errors; therefore, it is essential that data collection, recording, and processing are done correctly.
- **Relevance:** The more relevant and appropriate the information provided, the fewer incorrect and unhelpful decisions users will make.
- **Completeness:** The information provided should be sufficient to cover all aspects of the issue, meaning it should include all relevant aspects that need to be disclosed.
- **Precision:** The information provided must be precise, clear, and realistically reflect the events.
- **Timeliness:** The information should be available to the user when needed.
- **Usability:** The production and presentation of the required information should be in a format that allows users to easily and quickly understand it.
- **Reliability:** The information should be presented clearly, truthfully, and free from errors and bias to be accepted by the user. For information to be reliable, it must have three characteristics: It must be executable, truthful in its presentation, and neutral.

The developments in the accounting information system have led to numerous risks, which in turn negatively impact various financial aspects, including the credibility of financial and accounting data related to the system, due to the lack of oversight over this system.

Internal auditing is considered a crucial function in companies due to its impact on designing and developing

the internal control system, measuring and evaluating the efficiency of resource use, supporting corporate governance, and contributing to risk assessment and management. This enhances companies' chances for optimal resource utilization, achieving total quality, and consequently, resilience in the face of competition.

The foundation of auditing services lies in the assurance they provide for the integrity of operations through auditing and review aimed at evaluating and ensuring the soundness of administrative organization (Najm, 2013) ^[8].

The concept of auditing, despite the formal differences in definitions, ultimately serves the same goal. For example:

- **Internal Auditing:** It is an independent evaluative function established within an organization to examine and assess the activities carried out by the organization (Al-Sawafri *et al.*, 2002, p. 65) ^[3].
- **Internal Auditing:** "It is an independent activity considered an objective and consultative assurance aimed at evaluating the effectiveness of the control environment in the organization's processes and contributing to value creation to improve all processes and help achieve set goals" (Renard, 2010, p. 73) ^[11].

From the above, we can see that internal auditing is considered an independent activity aimed at enhancing the status and value of institutions and improving their performance by providing control methods that evaluate and improve operational efficiency. Consequently, internal auditing has become extremely important today as one of the key methods for reducing and combating fraud, negligence, and professional errors. It can be relied upon to ascertain the true financial condition of an organization. Internal auditing has thus become one of the most crucial functions, focusing on accounting control and accountability.

It is therefore essential to identify the types of factors that determine the effectiveness of the internal auditing function on one hand and to review the technical activities used to implement internal auditing effectively in the accounting, financial, and operational fields on the other hand. This aims to support the role of internal auditing in serving supervisory and accounting purposes. Among the factors that have notably increased the importance of internal auditing are (Al-Khatib, 2010, p. 297) ^[1]:

- **Organizational Management Independence:** Within the organizational structure, the presence of multiple administrative levels has led management to delegate various responsibilities. This necessitates that management ensure the proper use of and accountability for these responsibilities in accordance with established policies, systems, and procedures.
- **Strength and Integrity of the Internal Auditing System:** A robust internal auditing system is crucial for safeguarding funds and enhancing trust in the data presented in financial reports and statements.
- **Decentralization in Management:** Many well-known and large organizations have adopted a decentralized approach, delegating powers and authorities. Consequently, these management levels must adhere to the required procedures and policies.

- **Increase in Joint-Stock Companies:** The rise in the number of joint-stock companies has increased the need for general assemblies to obtain data and information to ensure the safety of their invested funds and to provide clear and fair disclosure of all published data, statements, and final accounts.

Research Problem

The emergence of technology and the accompanying growth and expansion in institutions, along with the increase in their size and the diversification of products and services offered, has significantly heightened the need for an effective accounting information system. This system plays a crucial role in providing data and information swiftly and efficiently. Nevertheless, the implementation of this system has given rise to problems pertaining to control, leading to imprecise and ambiguous data, information, and financial accounting statements generated by the accounting information system. This impacts the decision-making process, as the procedures involved in data processing are frequently not discernible.

These problems can impact the quality of internal auditing, as internal auditing functions as an internal control mechanism aimed at measuring the efficiency and effectiveness of management, addressing issues, achieving organizational goals, attracting customers, and enhancing competitiveness. The research problem thus revolves around the challenges faced by internal auditing, including management inefficiencies, administrative errors, and both intentional and unintentional violations related to financial matters, institutional systems, and resources. These issues may undermine trust in the accounting information system and expose institutions to risks such as financial loss, bankruptcy, and liquidation due to incorrect or misleading information, thereby increasing the burden on internal auditing.

Research Aims

This study aims to

- Evaluate and comprehend the role of the accounting information system in delivering precise, veracious, and dependable information, so improving the efficiency and efficacy of internal audit process.
- Analyze the mediating function of accounting information features in the correlation between the accounting information system and the internal auditing reliability.
- Guide and encourage organizations to implement the accounting information system.
- Highlight the contributions of information technology in the development of the accounting information system and its impact on improving the quality of accounting information.
- Assess the impact of accounting information supplied by the system on the internal auditing quality in organizations.

Literature Review

Ayman Mohamed Al-Shanti (2013) ^[4]: "The Impact of Accounting Information Systems on Improving the Effectiveness and Efficiency of Internal Auditing in the Jordanian Industrial Sector." This study aimed to highlight

the importance of using accounting information systems. In order to attain its goals, the study used a descriptive-analytical method and collected a survey from a sample of several departments from Jordanian public and joint-stock companies and internal auditors that consisted of 60 participants. This research revealed that the integration of accounting information systems in the Jordanian industrial sector results in the better quality of internal audit as it increases the compliance with the pre-set instructions, laws, policies and controls; and provides the necessary and timely information to the management for decision making. The study suggested the use of accounting information systems in the Jordanian industrial sectors to improve the quality of internal auditing.

ALmbaidin (2014) ^[9]: "The Effectiveness of Accounting Information Systems in Jordanian Banks: As for the title, the following sub-title has been adopted: Management Views on the Effectiveness of Accounting Information Systems in Jordanian Banks. This paper discusses the effect of these systems on banking processes, analysis and firm performance.

Literature Review

Ayman Mohamed Al-Shanti (2013) ^[4]: This study is entitled: "The Role of Accounting Information Systems in Enhancing the Effectiveness and Efficiency of Internal Auditing in the Jordanian Industrial Sector", This study was designed to reveal the importance of using accounting information systems. In order to accomplish the set goals, the study used descriptive-analytical method and collected data through survey from 60 participants including different departments of Jordanian public and joint-stock companies and internal auditors. The study revealed that the integration of accounting information systems in Jordanian industrial sector improves the quality of internal audit by increasing compliance with the set standard procedures, laws, policies, and controls as well as the provision of adequate and relevant information. The study suggested the enhancement of the usage of accounting information system in Jordanian industrial sectors to improve the efficiency and quality of internal audit.

ALmbaidin (2014) ^[9]: "The Effectiveness of Accounting Information Systems in Jordanian Banks: In view of this, the objective of the present study was to assess the function of accounting information systems in Jordanian banks from a managerial standpoint. In order to achieve the goals of the research, the researcher developed a self-administered questionnaire comprising of 29 items and obtained basic information from the study participants. The study employed SPSS to test and analyse hypotheses in Jordanian private banks. The study sample consisted of 197 persons, and different statistical methods were used in the research. The findings of the study showed that AIS in Jordanian banks provides adequate support to planning, monitoring and decision making requirements.

Awosejo, Kekwaletswe, Pretorius, & Zuva (2013) ^[10]: The title of this study is 'The Impact of Accounting Information Systems in Accounting. 'This study sought to establish the levels of adoption of accounting information systems and the level of understanding and perception of the factors of the Technology Acceptance Model (TAM). In this study, the level of implementation of the E AIS was measured by

organizational and social factors in the various financial organizations in South Africa. To this end, 104 questionnaires were administered to participants who are in touch with accounting information systems. To test the hypotheses the study used paired samples, T-tests, and multiple regression analysis. As per the study, all the components of the Technology Acceptance Model have an impact on the utilization of accounting information systems in South African organizations.

Research Importance

The importance of this research is evident through the significant information and variables addressed, and can be highlighted through the following points:

- **Significance of the Topic:** The study clearly centers on a crucial domain as it demonstrates the importance of the accounting information system and its impact on the professional performance of internal audit. The fact that this study focuses on the influence of the system on the quality of auditing renders the subject matter highly pertinent.
- **Practical Application:** The research findings are expected to be useful in several institutions since it will force these institutions to reconsider the role and significance of accounting information systems and how they affect auditing and several other decision-making processes.
- **System Improvement:** The research will guide actions aimed at advancing the development of accounting information systems, controlling and addressing gaps and errors, and highlighting and reinforcing the system's strengths.

Conclusions

This study aimed to assess the effects of implementing an accounting information system and its effectiveness in improving the efficiency of internal auditing. The following conclusions were reached:

- The accounting information system aims to provide the organization with information that is both effective and accurate.
- The accounting information system seeks to help the organization compete with its peers through the accuracy and reliability of the information it provides.
- The internal auditing function is focused on ensuring high-level application of internal control systems, working to enhance, improve, and develop them.
- The role of internal auditing is both advisory and guiding, involving the diagnosis and evaluation of deviations and errors, and offering appropriate and corrective solutions for the organization.
- Providing essential and timely information through the accounting information system will increase the accuracy and effectiveness of internal auditing.

Recommendations

Based on the findings, the researcher recommends the following:

- **Increase Reliance on Accounting Information Systems:** Organizations should enhance their reliance on accounting information systems as these tools provide critical support to management by delivering

essential information about existing errors through reports generated by internal auditors.

- **Keep Up with Technological Updates:** Organizations should stay updated with sudden or periodic technological advancements related to accounting information systems and internal auditing, and ensure they are equipped with modern devices and accounting software on a regular basis.
- **Enhance Internal Auditing Functions:** There should be increased focus on the internal auditing function and efforts to activate its role, given its significant positive impact on the organization.
- **Hire Experienced Personnel:** Appoint highly skilled and experienced employees for internal auditing tasks to improve the effectiveness of the internal control system.
- **Develop Decision-Maker Capabilities:** Enhance the skills of decision-makers in organizations by providing training on how to handle new developments and challenges effectively.

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