

The role of the internal control system in improving the quality of accounting information (applied study)

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Abstract

This research aims to explain the role of the internal control system in improving the quality of accounting information through the research sample Al-Qadisiyah University. A questionnaire was prepared by taking advantage of previous studies in this field that were distributed to a research sample that included (50) where most of the sample members were from the directors of the department Finance, accounts, and employees in the department of internal control and auditing, among the heads of people and auditors, to get to know their views by answering the questionnaire's questions, and after analyzing the answers, the most important results he reached:

1-The internal audit activities contribute to the development of internal control systems, and there is an approved internal control system that defines the powers and competencies of the university and its financial and supervisory departments.

2 -There are complete and clear laws and executive instructions for internal control, and there is a sound system in place at the university, which in turn helps to improve the quality of accounting information.

3-The university administration is convinced that building an effective internal control system in the university's presidency and its colleges contributes significantly to improving the quality of accounting information.

Introduction

Accounting has become an active role in protecting the state's resources and measuring the economic results that are shown by its outputs, which are the financial statements that are the ultimate product of financial accounting and that should reflect fairly the financial position of the institution and economic unity. Accounting information has also become an important source on which to base management's work, as It has an extreme role in providing the basic financial information that it depends on in guiding and supporting its decisions, meaning that accounting is no longer its job limited to just the process of recording data in books and accounting and financial records only and displaying and summarizing them in pictures The final accounts express the financial position of the institution, but it has become an integrated system of information based on a set of components that integrate with each other to achieve the goal of processing financial data through registration, classification and summary to convert them into accounting information extracted from the financial statements, and in order to improve the quality of this extracted accounting information From the financial statements, there must be an effective and efficient internal control system that meets the needs of the institution and helps in improving the quality of accounting information as well as obtaining them at the appropriate time and with high accuracy, and the availability of information with high quality and characteristics is a priority Its efficient in light of recent developments .The first topic: research methodology and previous studies

First research methodology:

Research problem

The success of the organization is achieved through the extent of the ability of the internal control system to achieve its goals, which reflects its philosophy, through active use of the means that

contribute to achieving these goals. Therefore, the research problem is focused on that (the weak use of the system of internal control and audit, in an effective and efficient manner, negatively affects the quality of accounting information.)

Research importance

The importance of research lies through- :

1-Knowing the relationship between the role of the internal control system and improving the quality of accounting information.

2-Study accounting information and explain the role of the internal control system in the integrity and reliability of that information.

3 – Knowing the importance of the organization's accounting information in making its decisions

Research objective

The research aims to

1-Explain the role of the internal control system in improving the quality of accounting information.

2 -Evaluating the role of the internal control system applied at the university in improving the quality of accounting information.

Research hypothesis

The research is based on the hypothesis that (activating the internal control system at the University of Qadisiyah would lead to improving the quality of accounting information.)

Research method

In the theoretical side, the researcher relied on a set of references, books and research published regarding the issue of internal control system and tax evasion, while the applied side relied on the questionnaire method through which the required information was collected for the purposes of the research, and the following statistical methods have been used in the analysis:

1- 1The weighted arithmetic mean to show the centrality of the answers to the questions according to the Likert pentaton scale.

2 -Standard deviations as one of the most important scattering scales to show the dispersion of answers from their mean

3-Percentages to indicate the general trend of the answers of the research sample by relative frequencies.

The research sample

The sample of the research was represented by the directors of departments and heads of financial and control divisions, from accountants and auditors working at the University of Qadisiyah. (60) questionnaire questionnaires were excluded (8) because they were not valid for analysis because the answers were not complete in them. Thus, 52 forms were considered valid for analysis and treatment.

Second - previous studies

1 -(Hilali Study, Imran 2016)

Master thesis under the title (Quality of accounting information in light of the financial accounting system scf A case study of Al Hasasna Cement Corporation and bags unit in Ain Hajar) The research aims to know the impact of the application of the financial accounting system in Algeria on accounting information through its availability of a set of characteristics to assist its users in the process Taking decisions, and the study concluded that the financial accounting system contributes to improving the quality of accounting information, but its translation on the ground did not reach the results that were desired from it, as there was a lack of transparency among the institutions under study and one of the most prominent issues Recommendations recommended by the study The necessity of disclosing economic institutions to the needs of users of accounting information in their various groups by disclosing that information in the necessary quantity and type in a timely manner

2 -Study of the ghoul

It is a master's thesis entitled (The role of the internal control system in improving the quality of accounting information - a study of a sample of institutions in the Wilaya of Ouargla in Algeria). This research addressed the importance of the internal control system in improving the quality of accounting information and finding the relationship between the internal control system and the quality of accounting information. The study concluded that obtaining quality information depends on following a set of internal control system standards. Among the most important recommendations reached by the research is the necessity of educating workers on the importance of applying procedures and rules in order to obtain greater efficiency in managing the enterprise's resources, which is only through providing high-quality accounting information.

3 -Abu Bakr Study (2011)

It is a research published in the Journal of Science and Technology / Sudan University of Science and Technology Volume 12 (02) / 2011 entitled (The importance and quality of accounting information disclosure) The aim of the research was to identify the quality and importance of accounting information and the main characteristics that must be characterized by accounting information of benefit to all The parties that use accounting information, and accordingly, the identification of these characteristics is a necessary link between the stage of setting goals and other elements of the accounting intellectual framework, through the identification of social responsibility accounting, which is an extension of the field of financial accounting from The bulk of the facility's social performance coverage.

The third topic: Theoretical side (the system of internal control and the quality of accounting information).

The first axis: the internal control system

The internal control system works to ensure the integrity and credibility of the accounting information, as well as ensuring the proper functioning of all jobs and respecting the policies drawn and underlined by the higher management and by including it on the organizational plans and procedures adopted by the institution, and to improve the quality of accounting information, the researcher addressed in this axis the concept of the internal control system Through the first axis, as well as the quality of accounting information through the second axis, while the third axis examined the role of the internal control system in improving the quality of accounting information, as follows:

First: the concept of the internal control system and the need for it:

Some researchers interested in finance have defined internal control systems as (a set of guarantees including financial instructions, administrative decisions and accounting methods used in directing units towards achieving their goals) they are aimed at ensuring the maintenance of unit assets and the quality and protection of information on the one hand and the application of administrative instructions and performance improvement on the other hand. (Rose, 2007: 7).

While other researchers defined the internal control system as (systems within economic units that contribute to defining duties and responsibilities and preparing reports, and the methods used to achieve the goals of the unit. (Musleh, 2007: 43).

Other professors knew it as (the organization's organizational plan and all the methods the administration sets in order to achieve its goals). (Thunaibat, 2009: 169).

The Consultative Committee of British Accountants has defined it as (it consists of a set of systems set by the administration such as the Financial Control Systems Group and others with a view to ensuring the effectiveness of the institution, and ensuring respect for policies and the health of the information recorded, and the protection of assets as much as possible. (Fadila, Boutoura, 2006: 39).

While the International Federation of Accountants defines the internal control system as (all the policies and procedures adopted by the management of the economic unit to assist it in achieving its goals and ensuring the systematic scientific implementation of operations, including commitments to management policies, asset protection, error detection and fraud cases, ensuring the accuracy and completeness of the accounts, and providing reliable financial information Just in Time. (Tonight 2002: 14).

Al-Ghoul believes that the internal control system includes planning plans and all coordinated methods, methods and procedures used within the institution in order to preserve its assets, ensure the accuracy of the integrity of accounting information, activate operational courage, and respect the policies underlined by senior management. (Al Ghoul, 2015: 3).

Second: The objectives of the internal control system:

Through the foregoing and after identifying the various internal control system concepts, we conclude that the internal control system has a set of goals, namely: (Idris, 2018: 74).

1 -Control of the institutions or projects, as controlling the goals of the institutions and projects that it seeks to achieve is considered one of the most important goals of boards of directors and executives, and this happens through strict and accurate implementation of various instructions.

2 -Ensuring that the objectives defined in the general plans are carried out according to what is specified for them, and accordingly, designing and implementing a good monitoring system is the responsibility of management and managers.

3-Protecting the assets of institutions and projects, with the intention of protecting their various assets by examination and making sure that the use of material and human resources is decisively matched, and that their records are matched to reality through inventory and inspection. If not stored in specially prepared warehouses for that. As for the second protection, it is an accounting and is intended to relate the registrations to the actual movements of the assets and includes all their movements so that they can be followed closely, such as receiving cash, depositing them in banks, receiving materials and entering them into the store, the investment process and other cases.

4- Ensuring the quality and accuracy of information

The internal control system must guarantee the degree of trust and reliability in the data and information, and the degree of dependence on them in the decision-making process. (Fadila, 20: 2006) This goal is considered one of the most important goals at all, as it provides either the institution or others with the correct and accurate information on implementing the established policies. And, therefore, decisions can be taken in most of them, and the presence of any gaps in this system may adversely affect the institutions and projects and those dealing with them as well, and this leads to the inaccuracy and incorrectness of the information provided and thus mortgaging the future of the institution or project to failure.

5- Ensure that the information is applied and is intended to ensure that all written and non-written instructions have been implemented as they should, and before issuing these instructions it must be ensured that the instructions have clear, appropriate, simple goals and are directed to specific people, after which it is confirmed that the implementation has been carried out with precision.

6- Improving and raising the efficiency of performance, productivity, and employment, by following up the implementation of the plan in place to ensure that the implementation is in accordance with the established policies, to know the results of the work and to know the extent to which the units within these institutions and projects achieve their goals, and to discover the occurrences of deviations and what may be in the performance of deficiencies and the reasons for this to take measures Corrective action is required to identify opportunities to improve performance equations.

7. Ensure the integrity of laws, regulations and financial instructions laid down, verify their adequacy and suitability, discover weaknesses in them, and propose remedies that ensure control of the revenues or expenses of the founder or project and the provisions of supervision thereof without tightening procedures or causing frequent accidents of embezzlement.

8- Good choice of individuals for the jobs they occupy and the separation between jobs and specifying the terms of reference and tasks for each job to ensure the flow of work in accordance with the set plan.

9- Ensuring the accuracy of the accounting data recorded in the books to determine the degree of dependence on them before making any decision. (Idris, 2018: 75 -76)

Third: The elements of the internal control system:

With the recognition that the internal control system differs from one administration to another according to the nature of its activity and the size of its operations and that there is no good control system perfected to a degree of perfection except that certain elements are required in any internal control system in order to achieve its goals and in case of losing any one of them the system will be unable to achieve goals The internal control and the following are the most important of these ingredients:

(Golden, 2007: 29)

1-Good organizational plan: The organizational plan is the basis of the internal control system process, and it should cover the activity of both the top management and the job system at all levels, because good organization accurately defines the various responsibilities and delegates authority to the extent necessary to advance responsibility and accountability for this responsibility is effected as duties may differ Secondary at times, which may result in opening the way for misuse by some officials whose rank in the career ladder is higher than the officials responsible for those duties without these employees having the right to oppose the guidance they receive The organizational plan differs from one project to another and from one institution to another, but in all cases the plan must be flexible to meet any development for that project or institution in the future as it must be simple and clear so that the workers in that project or institution understand it and the researchers have unanimously agreed that it must From the availability of a good administrative organizational structure in the internal control system, the proper actor to achieve its goals so that this structure represents the organizational plans, the need for coherence and coordination between the main and subsidiary goals, clarity of lines of authority and responsibility, flexibility and simplicity of these plans established with consistency. (Idris, 2018: 76-77)

2- Suitable and qualified human elements: The selection of the human element must be provided with competence, experience and honesty from the reality of his biography, as these characteristics play an important role in accomplishing the tasks assigned to him and the goals of the institution. Therefore, this factor is considered one of the basic ingredients that the effective internal control system focuses on. , And (Thomas-Hencke) believes that the strength of the internal control system depends on the

degree of competence of the unit employees, who have responsibility and validity in allocating jobs according to the internal control system, but that this system may not succeed in achieving its goals due to the inefficiency and their integrity in performing the responsibilities Entrusted to them, on the other hand, the internal control system may be good or effective thanks to the qualified and honest employees even if the system does not include a detailed definition of the specifications of the authorities and responsibilities of the jobs, accordingly government units should spread a sound policy in appointing new employees or promoting their current employees taking into consideration Job requirements and employee qualifications (Thomas, Henke, 1989: 379)

3- An integrated accounting system: One of the basic elements of an internal control system is the presence of a sound accounting system that ensures management to achieve accounting control. This system should be based on an integrated set of records and a compiled directory of accounts in which sound accounting principles and a set of documents that meet the needs of the unit and design documentary courses are achieved. Active control.

(“Abdullah, 169: 2004)” A good accounting system is one of the requirements needed to supply the administration and other parties outside the project in general with the data and information required to analyze operations as an information system. The accounting system in the past was merely a tool to indicate the nature of operations of a financial nature that It is practiced by the project, and these operations are recorded in accordance with the accepted accounting rules.

First: The concept of quality accounting information

The concepts of the quality of accounting information means those qualitative characteristics that useful accounting information should have, meaning that the availability of this information on those characteristics makes it of great benefit to the parties that benefit from it (Hamdi, 2011: 98)

The quality of accounting information means: It is the availability of a set of key accounting characteristics that must characterize the accounting information, which must be within the framework of an integrated accounting system, operating under high-quality accounting standards and under an efficient and effective corporate governance system as well as under a financial market system Efficient, aims to provide a financial climate suitable for investment and therefore we reach reliable and useful financial data and free from material errors due to fraud, misrepresentation and misinformation. (Amal, 2017: 114)

The quality of accounting information is defined: those characteristics that characterize useful accounting information or the basic rules that should be used to evaluate the quality of accounting information, and the identification of these characteristics helps officials when setting accounting standards, and it also helps officials when preparing financial statements in evaluating accounting information that results from the application Alternative accounting methods, and these characteristics are usually of great benefit to officials when preparing financial reports in assessing the quality of information that results from the application of alternative accounting methods and methods, and in distinguishing between what is considered necessary clarification and what is not It is not. (Qadari, 2015: 40)

The quality of the accounting information also means: the credibility of the accounting information that is included in the financial reports, and the benefit achieved by the users, and to achieve this it must be free of misrepresentation and misinformation and be prepared in the light of a set of legal, regulatory, professional and technical standards in order to achieve the goal of its use. 2012: 64)

Second - quality characteristics of accounting information

Accounting information is considered to be effective and high-quality value when it is characterized by a set of characteristics that in turn give accounting information a value and benefit for use in making decisions. Therefore, the characteristics that make this information useful in making decisions must be identified and defined, and there are two main characteristics: relevance and reliability where each One of them requires the availability of several sub-properties, and there are two sub-properties, namely stability (regularity) and comparability. The following are the following:

The basic characteristics of information quality are divided into:

1- Convenience: By relevance, there is a close relationship between information derived from financial accounting and the purposes for which it is prepared, and for this information to be closely related to decision-making or more of the decisions it makes, then a specific definition of the concept of appropriate information can be formulated that is Information that matches or matches the needs of the decision-maker (Amal, 2017: 118) and that the appropriate information is that accounting information that has a predictive and retrieving value that affects the direction of the decision-makers behavior and is influenced by the change of decision towards the position on which it is taken when it is presented at the appropriate time before Meet Its ability to influence that decision (Qadari, 2015: 43) may be appropriate through the following characteristics and sub-characteristics:

A-Timely timing of the information: That is, the accounting information must be provided in an appropriate time period that can be determined by the period necessary for a specific decision by its users (decision-maker) in order not to lose its value or its ability to influence the decision-making process so there is no value for accurate information if it does not arrive right on time.

B - The predictive value of information: Prediction is the means by which past and present information can be used to predict future events and results (Hamdi, 2011: 100)

C- The supervisory value (the return value of information): that is, that the accounting information has the potential to be used in monitoring and evaluation through feedback and correcting errors that can result from misuse or insufficiency (Amal, 2017: 119)

2- Reliability: Reliability is the second specific after the trait feature, and it is the information feature in confirming that the information is free from errors and bias in a reasonable degree, and it truly represents what it claims to represent. (Amal, 2017: 119) And you see Ghoul to be reliable accounting information should be empty Of the important errors and bias, and can be relied upon by the users as information that expresses honestly what it is intended to express or is expected to express reasonably and achieve this feature through the following characteristics: (Ghoul, 2015: 8)

A- Honest representation: For the information to be reliable it must represent the financial information truthfully.

B- The essence above everything: In order for the information presented to represent financial operations and economic events, the information presented must be accounting according to the essence, truth and impact of the economic event as well as the legal formalism.

Secondary characteristics of the quality of accounting information are as follows:

1 - Stability: Stability or what is termed consistency means the application of the same accounting procedures to similar events in one institution from one session to another, that is, to follow a single format in recording economic events and decide on them in a unified manner from session to cycle. (Qadari, 2015: 45)

2-Comparability: That is, consistency, that this feature is intertwined with the previous property, and it means regularity in the application of accounting methods and rules from one period to another in order

to enable users of the financial statements to compare the results of the institution's business over time (Amal, 2017: 121).

The third topic: The role of the internal control system in improving the quality of accounting information:

Before explaining the role of the internal control system in improving the quality of accounting information, we must show the importance of the internal control system, that the weakness or durability of the internal control system does not only determine the nature of obtaining sufficient evidence and appropriate for the audit process, but rather determines the required depth in examining that evidence as well as it clarifies The appropriate time for auditing and auditing procedures that should be focused on more than others (Baqoua and Ahmed, 12: 2012)

The importance of the internal control system comes through an understanding and awareness of the following points:

- 1- The set of potential oversight problems in any unit, sector or economy.
- 2- The required control in the published financial statements and their suitability with the allegations of the management of the economic unit during the financial period.
- 3- The dangers of human discipline, ways to reduce it and the possibility of instances of errors, fraud and violations as long as the internal control system includes internal controls, checks and audits of these systems.
- 4- Eliminating or reducing operational and legal risks and damages related to natural disasters and force majeure conditions, or as a result of committing procedural errors during the process of operating data and information.

From the above, it can be said that the internal control system is considered as the starting point that the auditor starts to work in light of the results of an examination of his various systems, while he draws the appropriate audit program and determines the amount of necessary tests and the size of the appropriate samples. (Abdullah, 2010: 174)

The researcher believes that an efficient, effective and integrated system of internal control works by itself in improving the quality of accounting information, so attention should be given to activating the internal control system at the university and its related formations more than is currently applied and developing strong internal control systems while working to review and follow up and ensure that It is also designed for it and to be modified by methods appropriate to meet the change in conditions, as the accuracy and quality of accounting information is due to the existence of sound and constantly developed control systems.

Conclusions and recommendations

First: the conclusions

- 1- There is documentation of all operations and procedures in the tax departments, manually and electronically, where data and information are entered on the computer when it is completed and work is to review that data and information to ensure its safety and accuracy.
- 2- There is an organizational structure approved by the Ministry of Higher Education and Scientific Research for the university, in addition to a separation between the functional tasks of university employees and their formations.
- 3- The internal control system applied in the university achieves the accuracy of data and information proven in books and records.

4- Internal audit activities contribute to the development of internal control systems, and there is an approved system of internal control that defines the powers and competencies of the university and its formations.

5- There are complete and clear laws and executive instructions for internal control, and there is a sound system applied at the university, which in turn helps to improve the quality of accounting information.

6- University leaders are convinced that building an effective internal control system at the university and its affiliate formations contributes greatly to improving the quality of accounting information and can be relied upon to make decisions.

7 - The laws and regulations currently in effect, whether related to the Ministry of Higher Education or the laws of the state in general, are not consistent with the changes that have occurred in the financial and accounting work, as some of them are distinguished by age and conflict with the requirements of work at the present time.

Recommendations

1- The necessity of paying attention to activating the internal control system in the umbrella body and its related formations more than what is currently applied and putting strong systems for internal control while working to review and follow them and ensure that they are as designed for them and that they are modified in ways appropriate to meet the change in conditions, as improving the quality of information Accounting is due to the existence of sound and sophisticated control systems.

2- The necessity of activating laws and regulations and amending them in a way that is commensurate with the requirements of the university's accounting work, especially (Ministry of Higher Education Law No. 40 of 1988, University Service Law No. 23 of 2008 and Higher Education Fund Instructions No. 122 of 1999) in addition to amending and updating laws and instructions in general To ensure that all transactions related to financial disbursement or financial impact are conducted efficiently and contribute to improving the quality of accounting information.

3- The necessity that all decisions, whether from the ministry or the university, be studied by the news and the specialists, and that they are compatible with the laws and instructions in effect and do not contradict them, as opposing them negatively affects the quality of accounting information as a result of the application and the registration of financial transactions that are incorrect and in violation of the controls.

4- In addition to activating the role of the internal control system in the university and its colleges, the researcher finds the necessity of engaging all auditors and accountants with training courses that keep pace with modern developments in the accounting field.

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