



CONTRIBUTION OF INTERNAL AUDIT IN IMPROVING THE QUALITY OF ACCOUNTING INFORMATION IN COMMERCIAL BANKS IN BASRA

**Hayder Jerri Mohsin¹,
Mohammed Qasim Yahya¹**

Southern Technical University, College of Administrative Technology/Basra, Iraq
haider.jare@stu.edu.iq, mohammed.yahya@stu.edu.iq

Article history:	Abstract:
Received: March 21 st 2023 Accepted: April 26 th 2023 Published: May 26 th 2023	The goal of this study is to show the role of internal audit and its dimensions (comprehensive assessment of internal audit, development of a comprehensive training program, work environment, supervision, As well as means of improving the quality and scope of accounting information through conducting theoretical and field investigations on (the efficiency, effectiveness and credibility of accounting information and its role in reducing risks). The study comprised a quantitative examination of the data from commercial banks in the study nation's capital, Baghdad, which had (10) individuals, the research sample included a group of (140) employees from these institutions. The research is built on a strong basis to expose these institutions' policies regarding the contribution internal audit makes to raising the caliber of accounting information. The purpose of the study was to investigate the link and correlation between the independent variable, which represented internal audit, and the characteristics of the dependent variable, which was the quality of accounting information. Using the SPSS program's statistical methodologies for data processing. The outcomes of the statistical analysis of the information gathered through the specially designed questionnaire demonstrate that there is a relationship and influence between internal audit and its components. (Comprehensive evaluation of internal audit, The outcomes of the statistical analysis of the information gathered through the designed for this purpose questionnaire demonstrate that there is a relationship and influence between internal audit and its components of (a comprehensive training program, work environment, follow-up, and control) As criteria for measuring the quality of accounting information, the efficacy of accounting information, dependability of accounting information, and the significance of accounting information in risk mitigation are offered, The degree to which a group of internal auditor characteristics, know-how, and abilities contribute to enhancing the caliber of accounting information is the dependent variable

Keywords: Internal Audit, accounting Information, commercial banks.

1. INTRODUCTION

The world has witnessed great development in the economic field, institutions have expanded and their work patterns have multiplied. This expansion had a positive and a negative impact. The first represents the largest sum in the market and profits, while the second comes from the lack of control over the information derived from its system and the lack of confirmation of its authenticity and credibility. This resulted in Expansion The bifurcation of functions and the intersection of information and interests at the internal and external levels so that good governance is seen as the only way out of this impasse in which it may fall, through the processes of planning,

organizing, implementing, and finally monitoring. All these processes are created by making the right decisions to make the best use of material and human resources at the internal level and to give the true picture of the organization. Auditing is a systematic procedure by which evidence is acquired concerning components of economic events and objectively examined to confirm the extent to which those components conform to objective standards, as a result, the audit arose to support the management in tackling the difficulties and challenges it encounters. The results have been communicated to the competent authorities, as this is considered an essential process for the final evaluation by reviewing



all books and records related to the activities carried out by the facility, and also checking the extent to which the elements of these lists correspond to their real reality. Through this procedure, the auditor can express an unbiased judgment about the accuracy and conformity with generally accepted accounting principles of the organization's final financial statements. The study included four main chapters, where the study's methodology was covered in the first chapter, providing the theoretical side for the ideas of the research variables were the focus of the second chapter, Which is divided into two parts, the first part is dedicated to presenting the theoretical side of internal auditing, The third chapter covered the practical aspect, the fourth chapter covered the conclusions and recommendations, and the second portion was devoted to presenting and debating the theoretical framework connected to the quality of accounting information.

The development and expansion of banks, their size, and the variety of services they offer, the volume of information they produce, and associated financial events have made it necessary to give the accounting information system greater consideration. This study's objective is to deliver the data and information provided by this system in the quickest timeframe, with the least amount of effort, and for the least amount of money, consequently, the following can be used to frame the research question: What impact does internal auditing have on the quality of accounting information?

2. The Hypotheses Of The Study

1. The first hypothesis: Internal auditing affects the examined commercial banks' quality of accounting information in a statistically significant way (across all of its combined dimensions).

2. The second hypothesis: There is a statistically significant link between internal audit (across all of its aggregated dimensions) and the caliber of accounting information for the commercial banks examined (with its aggregated dimensions).

3. The Importance Of Research

1. A statement of the significant contribution internal audit has made to raising the caliber of accounting information.
2. The commercial bank departments in Baghdad will continue to work to raise the standard of accounting information that supports the operation and growth of these institutions.
3. The internal audit identifies and explains the flaws in accounting information, helping to raise the information's quality.

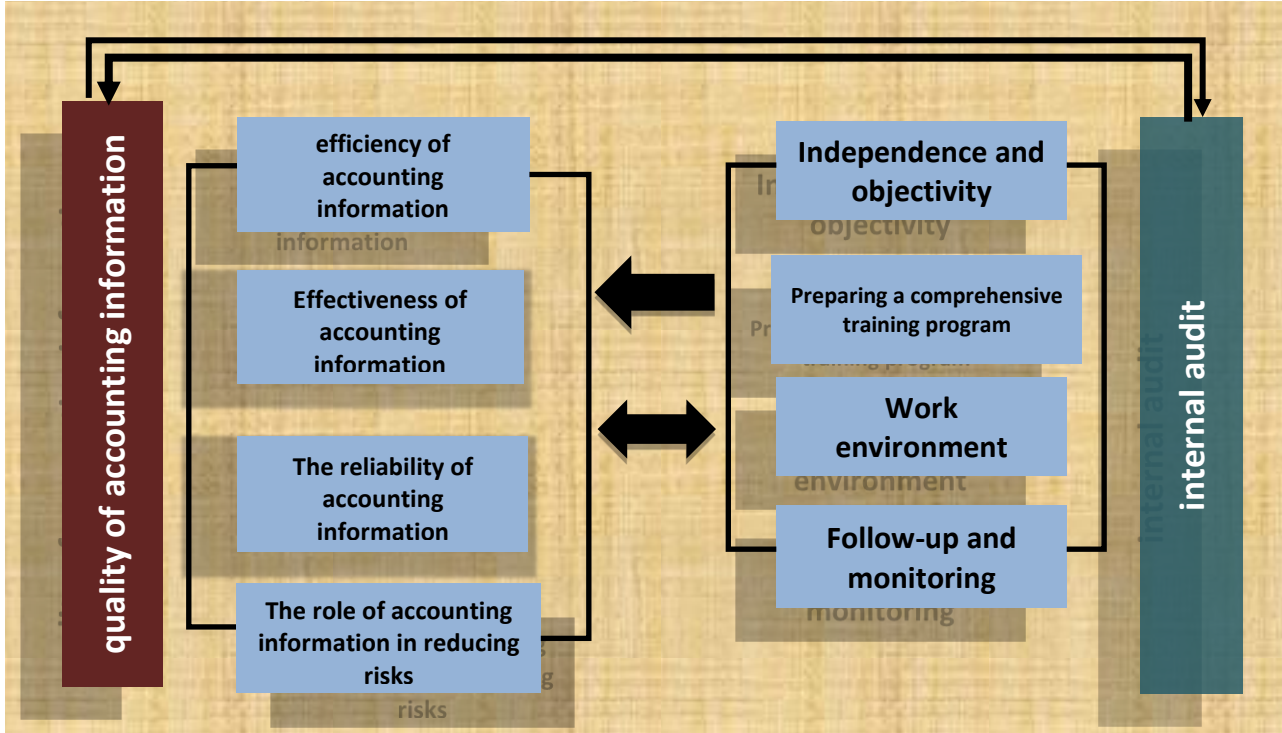
4. Study Objectives

1. Establish the nature of internal controls and the quality of the accounting information.
2. Understanding the value of internal control and how it affects the accuracy of accounting information
3. Examine the relationship between internal audits and the quality of financial information.

5. Study plan form:

The independent variable, internal audit, and the dependent variable, the quality of accounting information, are the two key variables that make up the system that represents the study variables. The hypothesis scheme attempts to meet the goals, offer the central notion upon which the investigation is predicated, describe the dimensions of the research variables and their issues, and explain the link between the systems of research variables.

RESEARCH HYPOTHESIS OUTLINE



Source: Prepared By Researchers

Sixth: The Variables Of The Study And The Scale Adopted In The Study

The study's independent or explanatory variable was the internal audit variable. A dependent variable, which was assessed through pre-testing and statistical testing, including confirmatory factor analysis, represented the quality accounting information, validity, stability, and consistency of accounting information internally, and the researcher will rely on the Five-Point Likert-Type scale in determining the measurement items and the variables of the current study. The sources listed in Table (1) were used to evaluate the questionnaire:

Table (1) The study variables and the sources adopted in constructing the study scale

The main variables	Sub variants	Source
Internal audit	Independence and objectivity	.2014)Baharud-din(
	Preparing a comprehensive training program	
	Qualifications, competence, and personnel	
	Follow-up and monitoring	
Quality of accounting information	Effectiveness of accounting data	(Best et.al, 2009)
	The efficiency of accounting data	
	Reliability of accounting information	
	Risk mitigation through the use of accounting information	

Source: Prepared By Researchers



6. Methods of Collecting Data And Information:

1. A huge collection of academic resources, including a review of many literary works in Arabic and foreign languages, in addition to books, journals, doctoral dissertations, studies, and articles in the field related to research variables and their sources provided by the global information network, led to the improvement of the theoretical side of the study.
2. Personal interviews and site visits.
3. To gather descriptive information from the respondents, a questionnaire was utilized. Thereafter, there were preparation, evaluation, final preparation, distribution, and collecting phases.

7. Study Limits:

1. Knowledge limits: The knowledge limits of the study dealt with the main axes, the first axis relates to internal auditing in the banking sector, and the quality of accounting data in the banking and financial industry is represented by the second axis.
2. Spatial boundaries: The spatial boundaries of the study were clarified in the Iraqi commercial banking sector (private commercial banks in Baghdad).
3. The temporal limits of the research: The temporal limits of the applied side are represented in the Iraqi commercial banks in the Basra Governorate for one year (2023).

LITERATURE REVIEW

1. The Concept and Definition Of Internal Auditing

Internal audit is crucial to running the business and assessing its progress in terms of both economic and administrative development as well as operational operations (Braiotta, 2004). The researchers see that the internal audit is an independent activity within the economic unit established by the administration to achieve its desired goals of protecting assets from theft, fraud, manipulation, and embezzlement. And misuse, emphasizing the accuracy of accounting and statistical data, and achieving production efficiency ().

2. Dimensions Of Internal Audit Independence and objectivity

The organizational position of the internal auditor and the institution's policies, both of which affect the internal audit independence, are examples of how independence is manifested. The capacity of the internal audit unit to perform its tasks objectively was characterized as being free from situations that

threatened this ability (Schneider, 2010). Internal audit is distinguished by having both independence and impartiality. Some contend that the basic tenets of the independence of the internal audit mentality and the independence of the organizational unit of the internal audit department provide the assurance services provided by the auditor their value and credibility (Steward & Subramaniam, 2010).

Preparation of comprehensive training programs

Providing and training the necessary human resources: It is an important and vital element before and during the application of this technology to provide the competencies and skills that the organization needs and to ensure that everyone speaks one language, and among these skills are training in managing operations and analyzing customer requirements and using statistical methods and tools in dealing with problems.

Qualifications and competence of individuals

Efficiency: The person possesses the knowledge, skills, and education necessary to enhance performance. Proficiency results from extensive preparation, acquiring the scientific concepts, procedures, and skills on which those procedures, skills, and skills are founded, as well as from an ongoing study (Mutchler, 2013). It displays the technical proficiency of internal audit staff at a level of education, knowledge of the company's operations, stages, and procedures, knowledge of the processes and procedures used in the internal audit department, and the quantity and quality of supervision over the activities of that department (Grabmann & Hofer, 2014).

Follow-up and monitoring

It is the last stage and it aims to verify the success of implementation and the removal of previous deviations to ensure that the changes that have been implemented have led to improved performance and that these improvements will continue over time, and to ensure continuity of success, the Six Sigma team will continue to monitor all previous stages and ensure the extent of compliance and whether Deviations in the process are redirected before they turn into defects, and this requires the development of the control process to follow up the changes that occur in the organization (Arens, 2012).

The concept of quality of accounting information:

When assessing the quality of information produced by the use of alternative accounting policies and methods, the concept of information quality refers to the characteristics that should characterize accounting information, expressed in terms of the intended utility of preparing financial statements. The correctness and



applicability of the accounting information in the financial statements to consumers are referred to as quality in this context. () By been prepared in light of the legal, organizational, professional, and technical assembly, in a way that helps and believes that the accounting information comes from the accounting system, this information has been prepared with a high degree of credibility and is useful to users ().

Dimensions of the Quality Of Accounting Information

The efficiency of accounting information

When accounting information influences decisions, it is acceptable to request information to support those decisions; when it does not, it is incorrect to make such decisions, () When the recipient of the information gets the information's intended meaning, which is accounting's primary purpose, the information has attained its linguistic meaning. For knowledge to be valuable, it must also be related in some way to the actions being taken or the outcomes that are desired (Reimers, 2011, Alakrash et al., 2022).

Effectiveness of accounting information

The connection between the costs and benefits of information is impacted by the verification feature when information can be easily checked by users using the same measurement and detection techniques, for example, to verify the quantities in the fund (Al-Hakim, 2007).

The reliability of accounting information

The area of this study's focus is credibility, which is characterized as the absence of inaccuracy, prejudice, and an honest portrayal. This quality is considered to be crucial, particularly for decision-makers who lack the time or knowledge to fully analyze the information, Accounting information is considered reliable if the aforementioned sub-characteristics exist (Bukenya, 2014), For financial statements to be useful, accounting information must properly represent the economic realities it describes, which is accomplished when the economic facts are sufficiently recorded objectively and without significant flaws, considering that accounting data correctly represents basic economic events, which are always comparable in legal form, accounting information must reflect the economic core of the underlying transactions, events, or conditions (Chis & Achim, 2014).

The Role of accounting information in reducing risks

Risk assessment: Management is responsible for overseeing the risk assessment process as a part of the internal control design to avoid future mistakes and irregularities as well as to stop the business from accomplishing its goals during operations due to external or internal reasons, to identify risks, analyze them, estimate how much of an impact they will have on the company's goals, and devise effective countermeasures, this component (risk assessment) is intended to be used ().

FINDINGS AND RESULTS

1. The Independent Variable: Internal Audit

Summary of the independent variable (internal audit):

Table No. (2) The respondents' responses about the dimensions of the independent variable

Dimensions of the internal audit variable	Arithmetic mean	Standard deviation	Agreed percentage (%)
Independence and objectivity	4.20	0.31	0.84
Preparing a comprehensive training program	4.27	0.35	0.85
Qualifications and technical competence of the internal auditor	4.23	0.33	0.85
Follow-up and monitoring	4.22	0.31	0.84
Tinternal audit otal	4.23	0.16	0.85

Analysis of the data on the dimensions of the internal audit variable shows that all arithmetic medians are in the range of (4.20-4.27), which are all greater than the hypothetical mean of (3), and the standard deviation is in the range of (0.16-0.33), and they indicate the homogeneity of the sample responses about this variable in general, the percentages of the agreement were in the range of (84-85%), which indicates complete agreement on this variable.



2. The Dependent Variable: The Quality Of Accounting Information

Summary of the dependent variable (quality of accounting information):

Table No. 3: Respondents' comments on the dependent variable's aspects

Qualitative aspects of accounting information: dimensions	Arithmetic mean	Standard deviation	Agreed percentage (%)
The efficiency of accounting information	4.27	0.30	0.85
The reliability of accounting information	4.18	0.34	0.84
Effectiveness of accounting information	4.28	0.32	0.86
Reduction of hazards through accounting information	4.16	0.35	0.83
The overall quality of accounting information	4.22	0.17	0.84

According to data analysis of the dimensions of the accounting information quality measure, which are all bigger than the fictitious mean of (3), all arithmetic medians lie within the range of (4.16-4.28), and the standard deviation is within the range of (0.17-0.35), which indicates the homogeneity of the sample responses about this variable in general, the percentages of the agreement were in the range of (83-86%), which indicates agreement and complete agreement on this variable.

3. Testing Research Hypotheses

This paragraph attempts to assess the research hypotheses by analyzing the linkages between the study's variables and the degree to which the independent variable (internal auditing) and its sub-dimensions impact the dependent variable (the quality of accounting information).

1. Correlation hypothesis test

The Pearson correlation scale between the two research variables will be used, We also employed the dimensions of the independent variable (internal audit) as independent dimensions associated with the dependent variable (quality of accounting information), as the value of the correlation lies between these two variables, to test the first main hypothesis and its sub-hypothesis (1,1) as The positive answer indicates the directness of the relationship, and the negative sign indicates the inverse of the relationship. The closer the value is to the positive or negative one, this indicates the strength of the correlation, and whenever the value approaches zero, this indicates the weakness of the relationship between the variables, as shown in the following

Table (4) Pearson correlation coefficient matrix of the sub-dimensions of the research variables

Variable/ dimension	The efficiency of accounting information	The reliability of accounting information	Effectiveness of accounting information	Reduction of hazards through accounting information	The overall quality of accounting information
Independence and objectivity	0.08	.22* 0	0	-0.01	0.13
Domain and functional scope of internal audit	-0.06	0.10	-0.05	-0.03	-0.02
Qualifications and technical competence of the internal auditor	-0.13	-0.04	0.13	.27** 0	0.10
Professional care by the internal auditor	0.13	0.05	0	-0.02	0.07
Total internal audit	0.08	.202*	0	-0.01	0.13

The correlation is significantly below the level of significance (0.01) if the sign (**) is present, and significantly below the level of significance (*) if the sign (*) is present. If neither of the two signs is present, the correlation is not significant.

Prepared by the researcher using statistical software as the source (spss v26).



2. Testing the effect hypothesis

Using regression analysis in a multi-line test to test the following hypotheses about the relationships between the study variables, we examine the results of the

statistical analysis to test and measure the influence of the independent variables (internal audit) and its sub-dimensions for the dependent variable (quality of accounting information) and its sub-dimensions:

Table (5) Results of impact analysis (multiple linear regression) at the aggregate level

Independent Variable (Internal Audit)	Dimensions of the dependent variable (quality of accounting information) combined
The determination coefficient (R ²)	Test (F)
0.1%	11.0
	2.6

Prepared by the researcher using statistical software as the source (spss v26).

The aforementioned table clearly shows that there is no statistically significant impact, if the value of (sig) was equal to (0.11), which is greater than the probability value (0.01) and (0.05) associated with the value of the calculated (F) test, which means the rejection of the main hypothesis The second, which states (I would like a statistically significant effect of the internal audit variable and its sub-dimensions in the accounting information quality variable) and also rejects the sub-hypotheses.

CONCLUSIONS

1. Internal audit is the process of checking financial statements for dependability and correctness, and its significance is in giving a genuine and fair image of the financial condition based on the caliber of the financial statements.
2. To improve the ability to convey accounting information, an internal audit creates the auditor's final report, which includes the level of disclosure and the quality of all information in the financial statements.
3. The degree of such information's quality has a major impact on the correctness of the conclusions that consumers of accounting information, draw. If the reliability of the accounting information has not been independently verified by an internal auditor, it cannot be considered qualitative.
4. The internal auditor creates a report using high-quality accounting data that is objective, provides consumers with the financial statements with trust, and is based on accounting facts.

RECOMMENDATIONS:

1. Improve the quality of accounting information by providing qualitative characteristics of that information that was produced by the internal auditor.
2. The internal auditor's capacity to raise standards of practice and uphold ethical behavior to enhance

- the quality of accounting information will be crucial to the audit process' success.
3. The accounting information must be reported by the internal auditor in a timely way, or it will lose its significance and be difficult to grasp, which hinders the achievement of its quality.
4. Work to guarantee the internal auditor's operations are trustworthy and transparent since they have an impact on the caliber and dependability of accounting information.

REFERENCES

1. Achim, A.M., & Chis, A.C. (2014) 'Financial accounting quality and defining characteristics' SEA-Practical Application of Science, Vol.II, Issue3 (5), PP.93-98
2. Al-Hakim, Latif Al-Hakim (2007) (Information Quality Management: Theory and Applications) Copyright © by Idea Group Inc. All rights reserved.
3. Alakrash, H. M., Razak, N. A., & Krish, P. (2022). The Application of Digital Platforms in Learning English. International Journal of Information and Education Technology, 12(9).
4. Alveen arens. (2012), Auditing and Assurance Services, 14th - Avison for the future, Professional Practices Framework for Internal Auditing, Altamonte Springs, 1999a, www.theiia.org Edition
5. Braiotta, L., (2004), The audit committee handbook, 4th Edition, State University of New York at Binghamton, John Wiley & Sons, Inc., Hoboken, New Jersey, USA.
6. Bukenya Moses, (2014), Quality of Accounting Information and Financial Performance of Uganda's - Public Sector, American Journal of Research Communication, Vol 2(5)
7. Grabmann, E., Hofer, D. (2014). Impact factors on the development of internal auditing In the



21ST Century, Journal of Finance and Risk Perspectives, 3(3), pp. 67 – 80.

8. Mutchler, J. F. (2003). Independence and objectivity: a framework for research opportunities in internal auditing. Research Opportunities in Internal Auditing, 231-268
9. Reimers, Jane (2011), Financial Accounting – A Business Process Approach, Pearson, United States of America.
10. Schneider, A. (2010). Analysis of professional standards and research findings to develop decision aids for reliance on internal auditing. Research in Accounting Regulation, 22(2), pp96-106.
11. Stewart, J., & Subramaniam, N. (2010). Internal audit independence and objectivity: emerging research opportunities. Managerial auditing journal, 25(4), pp328- 360