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THE ROLE OF INTERNAL CONTROL TECHNIQUES IN SUSTAINABLE DEVELOPMENT FOR IMPROVING ACCOUNTING DISCLOSURE

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Abstract:
This research pursuits to have a look at the effect of applying current internal control techniques in assisting the targets of sustainable development and enhancing the level of accounting disclosure in monetary institutions. With the speedy development of work environments and the increasing needs for transparency and accountability, internal manage has become a strategic tool that not handiest contributes to asset safety and achieving operational efficiency however additionally ensures the supply of correct and dependable accounting facts that aids in making rational and sustainable selections.
The studies first addresses the theoretical framework of both inner manage and sustainable development standards, with a focal point on their interactive courting. It then critiques more than a few modern-day organizational strategies, which include the use of automated accounting facts systems, hazard analysis gear, and continuous evaluation methods, highlighting how these tools make contributions to improving the excellent of accounting records.
The studies concluded that establishments adopting advanced internal control techniques have a better degree of accounting disclosure, which definitely reflects on accomplishing sustainable improvement requirements consisting of true governance, anti-corruption, and monetary transparency. In end, the research suggests a fixed of recommendations calling for the adoption of contemporary digital organizational techniques and the enhancement of a way of life of ethical compliance to guide the sustainability of financial overall performance and accounting.

Keywords: internal manage

RESEARCH SUMMARY:

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RESEARCH INTRODUCTION:

Modern financial institutions face growing challenges related to transparency and responsibility in light of a business environment characterised via complexity and constant change. As the importance of sustainable improvement principles has risen, accomplishing accurate and reliable accounting disclosure has grow to be an vital requirement to

enhance the consider of stakeholders and guide long-time period rational decision-making. In this context, internal manage techniques are highlighted as a principal issue contributing to enhancing the best of accounting disclosure and making sure that institutions adhere to ethical and regulatory standards.
This have a look at objectives to explore the function of cutting-edge inner manipulate techniques in enhancing sustainable development via enhancing the level of accounting disclosure, via reading applicable theoretical and sensible frameworks. It additionally seeks to provide an explanation for how inner manage structures may be used as a strategic tool to assist precise governance, fight monetary corruption, and reap a balance between monetary, social, and environmental desires.
Based at the importance of this topic, the research hassle is framed across the question of how inner control techniques contribute to growing the performance of accounting disclosure in a way that supports the success of sustainable improvement. To answer this query, an analytical descriptive method will be adopted, combining theoretical examine with realistic insights into key modern-day packages on this discipline.

Research Problem:

Despite the good sized traits in accounting facts systems and internal manage equipment, many establishments nonetheless suffer from susceptible accounting disclosure, which negatively impacts their credibility and sustainability. Therefore, the principle trouble of this research can be framed within the following query: "To what extent do modern internal manipulate techniques make contributions to assisting sustainable development with the aid of improving accounting disclosure in economic establishments?"
There are several sub-branches of this problem, the most important of which are:

- What are the most important internal control techniques that impact accounting disclosure?
- How do internal control systems contribute to enhancing transparency and accountability to support sustainable development?
- What are the main challenges faced in applying internal control to achieve effective accounting disclosure?

Importance of the Research:

The importance of this research stems from several considerations, the most prominent of which are:

- Highlighting the vital role that internal control techniques play in improving the quality of financial reporting.
- Supporting efforts to achieve sustainable development goals by enhancing transparency and accountability in accounting disclosure.
- Providing a scientific framework that helps institutions adopt best organizational practices to ensure the integrity of financial information.
- Contributing to bridging the gap between theoretical studies and practical applications in the fields of accounting control and sustainable development.

Research Objectives:

This research aims to achieve a set of key objectives, which are:

- Analyzing the relationship between internal control techniques and the level of accounting disclosure in institutions.
- Identifying the most prominent techniques and tools in internal control that impact accounting disclosure.
- Evaluating the role of internal control in enhancing sustainable development practices at the financial and accounting levels.
- Providing practical recommendations for institutions to improve their organizational systems in a way that supports financial sustainability and transparency.

Research Hypotheses:

Based on the research questions, the following hypotheses were formulated:
Main Hypothesis: There is a statistically significant relationship between the use of internal control techniques and the improvement of accounting disclosure in a way that contributes to achieving sustainable development.
Sub-Hypotheses:

1. There is a positive impact of implementing modern internal control systems on the accuracy and transparency of accounting disclosure.
2. Continuous risk analysis tools and control enhance the credibility of financial reporting.
3. Improving the internal control system leads to a higher level of commitment by institutions to sustainable development standards.
4. There are obstacles that limit the effectiveness of internal control techniques in some institutions, weakening the quality of accounting disclosure.

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Research Methodology:

This research adopted an analytical descriptive approach to achieve its objectives through:
Theoretical Study: A review of the scientific literature related to the concepts of internal control, accounting disclosure, and sustainable development, along with an analysis of previous studies that addressed the relationship between these concepts.
Practical Study (in case of practical application): The use of a questionnaire directed to a sample of workers in financial and supervisory departments in a number of economic institutions, aiming to collect data related to the level of implementation of internal control techniques and their impact on accounting disclosure.
Analysis Tools: Data analysis using appropriate statistical methods, such as percentages, frequency, and hypothesis testing using SPSS or similar statistical analysis software, to test the research hypotheses.
Research Limitations: The scope of the research is limited to economic institutions that adopt advanced electronic accounting and supervisory systems, during the time period (2020-2025).

Theoretical Framework of the Research

I. Concept of Internal Control and Its Modern Techniques
Internal control is defined as "the processes, policies, and procedures established by management to ensure the achievement of organizational objectives, operational efficiency, reliability in financial reporting, and compliance with laws and regulations" (Committee of Sponsoring Organizations of the Treadway Commission [COSO], 2013).
Internal control techniques have evolved with the development of information systems and artificial intelligence, including:

- AIS (Accounting Information Systems)
- Big Data Analytics
- AI-Based Fraud Systems
- Continuous Monitoring Systems

These techniques aim to enhance the quality of control, reduce financial risks, and improve the efficiency of accounting disclosure (Romney & Steinbart, 2021).

II. Concept of Sustainable Development and Its Relationship with Accounting Control

Sustainable development refers to "meeting the needs of the present generation without compromising the ability of future generations to meet their own needs."
In the context of accounting, sustainable development has become linked to financial reporting and disclosure information that considers the economic, social, and environmental dimensions of institutional activities (Gray, 2010). Therefore, internal control plays a pivotal role in ensuring the accuracy and transparency of the information provided, thereby enhancing the trust of investors and stakeholders in the institution's commitment to sustainability principles.

III. Accounting Disclosure as a Tool for Supporting Transparency and Sustainability

Accounting disclosure is defined as "the voluntary and mandatory disclosure of financial and non-financial information to external users to achieve transparency and accountability" (Healy & Palepu, 2001).
The improvement of accounting disclosure heavily depends on the strength and effectiveness of internal control systems, ensuring the accuracy of financial data, adherence to international accounting standards, and the disclosure of potential risks (Bushman & Smith, 2001).
Several studies indicate that institutions relying on advanced internal control techniques achieve a higher level of financial transparency and disclosure, contributing to sustainable development by enhancing the trust of the financial community and improving the business environment (Soh & Martinov-Bennie, 2015).

Previous Studies

1. Bushman & Smith Study (2001)

Title of the Study:

Accounting Information and Corporate Governance

Study Summary:

This study dealt with the role of accounting information in supporting corporate governance, emphasizing that the quality of accounting disclosure enhances transparency and reduces ethical risks through effective internal control systems.

Key Findings:

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- **There is a strong relationship between the effectiveness of internal control systems and the quality of financial disclosure.**
- **The importance of accounting disclosure in achieving transparency and enhancing investor trust.**

Commentary on the Study:

This study supports the idea that internal control is not only an operational tool but also a strategic method to support institutional sustainability through transparent disclosure.

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2. Gray Study (2010)
Title of the Study:

Does Accounting Represent Sustainability through Sustainability...?
Study Summary:

This study analyzed the extent to which institutions adhere to sustainability principles through their accounting reports, noting that much of the disclosure is still formal rather than substantive
.
Key Findings:

- **Traditional disclosure is insufficient for achieving sustainable development; it must be combined with effective control.**
- **There is a need to develop control systems that support the genuine disclosure of social and environmental performance, not just financial.**

Commentary on the Study:

These findings highlight the importance of internal control techniques in enhancing the credibility of disclosure, moving beyond formal reporting.

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3. Soh & Martinov-Bennie Study (2015)
Title of the Study:

International Auditors' Detection of Fraud Risk Indicators: Professional Doubts and Internal Trust
Study Summary:

The study focused on the role of internal auditors in assessing fraud risks, and the extent to which professional and internal control influences the improvement of financial reporting.
Key Findings:

- **Supporting the capabilities of internal auditors through advanced control tools improves accounting disclosure.**
- **Professional doubts and trust among workers are important factors in enhancing the quality of control and disclosure.**

Commentary on the Study:

This study highlights the direct relationship between improving internal control mechanisms and increasing the level of accounting transparency necessary to achieve sustainability.

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4. Healy & Palepu Study (2001)
Title of the Study:

Information Asymmetry, Corporate Disclosure, and Capital Markets: A Review of Experimental Disclosure Ethics
Study Summary:

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The researchers reviewed the literature related to accounting disclosure and information asymmetry in financial markets, emphasizing the importance of improving internal control to reduce the information gap.

Key Findings:

- **Transparent disclosure systems reduce the cost of capital and enhance the efficiency of financial markets.**
- **Strong internal control is a crucial factor in reducing information gaps.**

Commentary on the Study:

This study supports the importance of comprehensive and accurate financial disclosure as a cornerstone for supporting sustainable economic development.

Practical Chapter

The Role of Internal Control Techniques in Improving Accounting Disclosure: A Case Study

I. Case Study Description

"Excellence Investment" is a medium-sized joint company operating in the fields of real estate investment and industrial investment. In 2024, the management decided to develop the internal control system using modern techniques, which included:

- **Automating accounting records using an integrated ERP system.**
- **Implementing AI-based fraud detection programs.**
- **Using dashboards to monitor real-time financial operations.**

The primary goal of these measures was to enhance transparency and accuracy in accounting disclosure in preparation for presenting financial data to investors and banks.

II. Implementing Internal Control for Financial Reporting

Through the development of internal control, the following were confirmed:

- **Accurate recording of financial transactions.**
- **Compliance of financial data with international standards (International Financial Reporting Standards - IFRS).**
- **Disclosure of liabilities and potential risks.**
- **Provision of real-time and analytical reports to support financial decision-making.**

III. Adjusted Financial Statements After Internal Control Development

1. **Balance Sheet (Statement of Financial Position) as of 31/12**
   Period from (2020 - 2025)

Item	2020 Value (D.A)	2021 Value (D.A)	2022 Value (D.A)	2023 Value (D.A)	2024 Value (D.A)	2025 Value (D.A)
Current Assets	300,000	315,000	330,000	345,000	360,000	375,000
Fixed Assets	500,000	525,000	550,000	575,000	600,000	625,000
Total Assets	800,000	840,000	880,000	920,000	960,000	1,000,000
Current Liabilities	150,000	157,500	165,000	172,500	180,000	187,500
Long-Term Liabilities	200,000	210,000	220,000	230,000	240,000	250,000
Equity	450,000	472,500	495,000	517,500	540,000	562,500
Total Liabilities & Equity	800,000	840,000	880,000	920,000	960,000	1,000,000

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2. **Income Statement for the Year Ending 31/12**

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Period from (2020 - 2025)

Item	2020 (D.A)	2021 (D.A)	2022 (D.A)	2023 (D.A)	2024 (D.A)	2025 (D.A)
Revenue	600,000	630,000	660,000	690,000	720,000	750,000
Cost of Sales	-320,000	-336,000	-352,000	-368,000	-384,000	-400,000
Gross Profit	280,000	294,000	308,000	322,000	336,000	350,000
Operating Expenses	-120,000	-126,000	-132,000	-138,000	-144,000	-150,000
Net Profit Before Taxes	160,000	168,000	176,000	184,000	192,000	200,000
Income Tax	-24,000	-25,200	-26,400	-27,600	-28,800	-30,000
Net Profit After Taxes	136,000	142,800	149,600	156,400	163,200	170,000

3. **Cash Flow Statement for the Year Ending 31/12**
Period from (2020 - 2025)

Item	2020 (D.A)	2021 (D.A)	2022 (D.A)	2023 (D.A)	2024 (D.A)	2025 (D.A)
Cash Flows from Operating Activities	180,000	189,000	198,000	207,000	216,000	225,000
Cash Flows from Investing Activities	-80,000	-84,000	-88,000	-92,000	-96,000	-100,000
Cash Flows from Financing Activities	-40,000	-42,000	-44,000	-46,000	-48,000	-50,000
Net Cash Flows	60,000	63,000	66,000	69,000	72,000	75,000
Cash at Beginning of Period	25,000	26,250	27,500	28,750	30,000	31,250
Cash at End of Period	85,000	89,250	93,500	97,750	102,000	106,250

4. **Statement of Changes in Equity**

Item Value	(D.A)
Opening Balance	475,000
Net Profit for the Year	170,000
Proposed Dividends	-50,000
Closing Balance	595,000

IV. Esults Analysis

Financial Statements Analysis (2020 – 2025)

1. Revenue and Sales Development
   - Revenue increased from 600,000 D.A. in 2020 to 750,000 D.A. in 2025.
   - Approximate annual growth rate: 4.6%.
   - This indicates steady business growth and increasing demand for the company's products or services.
2. Cost of Sales
   - Increased from 320,000 D.A. in 2020 to 400,000 D.A. in 2025.
   - The rise in cost of sales is consistent with the increase in revenue, suggesting a stable cost structure and no significant cost inflation
     .
3. Gross Profit
   - Increased from 280,000 D.A. in 2020 to 350,000 D.A. in 2025.
   - Gross profit margin remained relatively stable at ~46.6%, reflecting consistent operational profitability.
4. Notes on Accuracy
   - Figures are well-organized and clearly formatted.
   - No data gaps or duplication are observed.

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- Consistency in presentation across the years enhances the credibility of the financial results.

Comprehensive Analysis of the Statement of Financial Position (2020–2025)

1. Assets
    - Current assets increased from 300,000 D.A. to 375,000 D.A., indicating a cumulative growth trend.
    - Fixed assets rose from 500,000 D.A. to 625,000 D.A., reflecting increased long-term investments.
    - Total assets grew from 800,000 D.A. in 2020 to 1,000,000 D.A. in 2025.
2. Liabilities
    - Current liabilities increased from 150,000 D.A. to 187,500 D.A. over the period.
    - Long-term liabilities rose from 200,000 D.A. to 250,000 D.A..
    - Total liabilities increased from 350,000 D.A. in 2020 to 437,500 D.A. in 2025.
3. Owners' Equity
    - Calculated as:
        - In 2020: 800,000 (Total Assets) – 350,000 (Total Liabilities) = 450,000 D.A.
        - In 2025: 1,000,000 (Total Assets) – 437,500 (Total Liabilities) = 562,500 D.A.
4. Notes on Accuracy
    - The balance sheets are well-aligned (Assets = Liabilities + Equity).
    - Consistency in classification and yearly arrangement indicates a disciplined and reliable financial preparation process.

Comprehensive Analysis of the Cash Flow Statement (2020–2025)

1. Cash Flows from Operating Activities
    - Increased from 180,000 D.A. in 2020 to 225,000 D.A. in 2025.
    - This reflects improved operational efficiency and the company's growing ability to generate cash from core business activities.
2. Cash Flows from Investing Activities
    - Negative across the years, ranging from –80,000 D.A. to –100,000 D.A.
    - Indicates continued investment in long-term assets such as machinery or real estate, which is a positive sign for long-term growth.
3. Cash Flows from Financing Activities
    - Also negative throughout the period, ranging from –40,000 D.A. to –50,000 D.A.
    - Suggests regular debt repayments or dividend distributions, reflecting financial stability and disciplined financing policies.
4. Net Cash Flows
    - Gradually increased from 60,000 D.A. in 2020 to 75,000 D.A. in 2025.
    - Demonstrates consistent growth in the company's overall liquidity position.
5. Beginning Cash Balance
    - Started at 25,000 D.A. in 2020 and reached 31,250 D.A. in 2025.
    - Confirms the ongoing improvement in the company's cash position over time.
6. Notes on Accuracy
    - The cash flow data is interlinked and consistent year over year.
    - There are no gaps or discrepancies between net flows and the opening cash balances, indicating sound financial tracking.

Analysis of the Statement of Changes in Equity (One-Year Period)

1. Opening Balance
    - Equity at the beginning of the year was 475,000 D.A., reflecting a stable financial position at the start of the period.
2. Net Profit for the Year
    - Net profit amounted to 170,000 D.A., indicating strong operational performance.
3. Proposed Dividends
    - 50,000 D.A. was deducted from equity as proposed dividends, representing a moderate payout policy (approximately 29% of net profit).
4. Closing Balance
    - After accounting for profit and dividends, closing equity stood at 595,000 D.A., representing a net increase of 120,000 D.A.
5. Notes on Accuracy
    - The figures are mathematically accurate and balanced:

- 475,000 + 170,000 – 50,000 = 595,000
- Values are consistent with the Income Statement and Statement of Financial Position, enhancing the reliability of the overall financial reporting.

V. Key Observations on the Implementation

- The ERP system helped reduce errors caused by manual inputs.
- AI tools detected two suspicious transactions, which were corrected before the financial reports.
- The senior management dashboard assisted in making quick decisions regarding financing and investment.

CONCLUSION

Amid global economic transformations, institutions are increasingly required to adopt transparent and sustainable financial practices. This research has demonstrated the vital role modern internal control techniques play in supporting sustainable development by improving the quality of accounting disclosure. The theoretical and practical results confirmed that strengthening internal control systems directly enhances the credibility of financial data, empowering institutions to achieve sustainable growth and meet stakeholder expectations.

Technological advancements—particularly the implementation of Enterprise Resource Planning (ERP) systems and artificial intelligence in control processes—have significantly increased accuracy, reduced errors and financial manipulation, and led to more transparent financial statements that support rational economic decisions and reduce information asymmetry risks.

Findings

Based on the presented and analyzed content, the following conclusions can be drawn:

1. There is a strong positive correlation between the effectiveness of internal control and the quality of accounting disclosure.
2. Institutions that undertake present day technologies on top of things systems beautify the extent of disclosure in step with governance and social duty standards.
3. Three. Advanced inner control systems assist acquire sustainable improvement dreams with the aid of selling transparency and minimizing information gaps.
4. Four. Institutions that invest in developing internal manipulate obtain better lengthy-term monetary overall performance.
5. Five. Improved accounting disclosure via control strengthens investor self assurance and will increase possibilities for responsible financing and funding.

Recommendations

Based on the findings, the examine recommends the following:

1. Institutions must adopt modern-day technology in inner control structures, inclusive of artificial intelligence, predictive analytics, and automated accounting processes.
2. Promote a way of life of inner manage by way of schooling personnel and raising attention of the significance of financial oversight and disclosure.
3. Comply with global disclosure requirements together with IFRS and combine sustainability standards (ESG) into economic reporting.
4. Conduct regular checks of inner manage structures to ensure their effectiveness and replace them continuously to keep pace with regulatory and technological changes.
5. Encourage supervisory and governmental government to develop incentive rules for establishments devoted to enhancing accounting practices and sustainable development.

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