

Impact of Using International Accounting Standards on Internal Control

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ABSTRACT

The study's problem boils down to knowing the impact of applying international accounting standards on internal control, The study aimed to know the impact of the application of international accounting standards on internal control in terms of internal audit and financial control and the efficiency of internal control in general ,The study reached the most important results: There is a clearly noticeable effect when applying international accounting standards on internal audit, the application of international accounting standards affects financial control, the application of international accounting standards affects the efficiency of internal control.

KEYWORDS: *International Accounting Standards, Internal Control*

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INTRODUCTION

Study Problem is: The right of internal control systems is usually affected by many internal and external factors, and researchers believe that the application of international accounting standards in companies or not may affect in one way or another the internal control, The study aimed to: Knowing the effect of applying international accounting standards on internal auditing, knowing the effect of applying international accounting standards on financial control, knowing the effect of applying international accounting standards on the efficiency of internal control. The hypotheses of the study are: There is a statistical relationship between the application of international accounting standards and internal audit, the application of international accounting standards affects financial control, the application of international accounting standards affects the efficiency of internal control.

THEORETICAL FRAMEWORK

➤ ACCOUNTING STANDARD

Concept of the accounting standard: It is an agreed pattern of what is considered appropriate application in which certain conditions, a basis for judgment and comparison and a basis for transformation when the circumstances justify it according to the standards. Operations, events and conditions that affect the financial position and results of enterprises are measured and their results communicated to beneficiarie (Al-Bashari-2007).

Objectives of the International Accounting Standards: It is of the nature that there are objective motives for the parties that seek to have an international consensus and the most important goals and motives for setting international accounting standards are the following (Al-Qadi -2008):

1. Preparing and publishing the accounting standards that are used as a guide when preparing and preparing the financial statements and

statements in a way that achieves the public interest while working on international acceptance of these standards and applying them globally.

2. Working to improve and coordinate the accounting systems, rules and procedures associated with preparing and presenting the financial statements.
3. These standards save companies, especially international ones, the time and money that is currently being spent in standardizing their financial statements, which each adopts in preparing a set of accounting practices and principles that are often different.
4. It makes it easier for companies to obtain the necessary financing in the event of insufficient local resources
5. Moreover, these standards aim to raise the level of the accounting profession around the world

Institutions concerned with international accounting standards: The International Accounting Standards Board: The uses of the International Accounting Standards and the international organizations and relevant organizations AISB After about 25 years of starting to develop the standards, the need for a change in the structure of the committee and the new format is the International Accounting Standards Board IASB, which has the responsibility to develop the international financial reporting standards, The Council was formed in 2001 to replace the International Accounting Standards Committee. The International Accounting Standards Committee (IASC) was established in 1973, following an agreement between the leading professional societies and institutes in (Australia, the United Kingdom, France, Germany, Japan, Mexico, the Netherlands, Ireland, the United States) (Shehata 2004).

he aim was for the committee to prepare and publish accounting standards, support acceptance and compliance with them, and enhance the relationship between them and the International Federation of Accountants (IFAC), which is the responsible and competent body in whose name specifics to international accounting principles are identified. It had issued 41 International Accounting Standards even before the year 2000 AD and in the year 2000 AD, the Standards Committee and its statute were restructured and the International Accounting Standards Board (IASB) was named.

Which was considered, starting in April 2001, he is responsible for issuing international accounting

standards instead of the International Accounting Standards Committee, where the Council adopts all the accounting standards issued by the International Standards Committee.

In 2002, the Council also renamed the (Standing Interpretations Committee) (SIC) and changed this designation to (IFRIC) to aim at interpreting and clarifying existing accounting standards in addition to providing permanent guidance and directions on existing international accounting standards On the standards of international financial reports, the Council issued 8 new standards (Mamoun Hamdan 2009). IASC management formed a standing committee for SIC interpretations in 1997 to discuss accounting issues that are likely to be subject to alternative or unacceptable treatment in the absence of specific directions, within the scope of existing international accounting standards and emerging issues registered with topics not looking to set standards (Dr. Khaled Ali Ahmed Kajiji).

purpose of the framework for preparing and presenting financial statements in accordance with international accounting standards: This framework lays down the concepts upon which the process of preparing and presenting financial statements for external users is built, and its purpose is to: Assist the committee's board of directors in developing new international accounting standards and in reviewing To existing international accounting standards, Assist the committee's board of directors in achieving compatibility between systems and accounting standards The procedures for presenting the financial statements by laying a basis for reducing the number of methods, Allowed alternative treatment in international accounting standards, Assist national standard-setting bodies in developing national standards, Assist the preparation of financial statements in applying international accounting standards and in dealing with matters To be subject to the issuance of an international accounting standard, Assist auditors to form an opinion on whether the financial statements conform to international accounting standards, And / help users of financial statements explain the information contained in financial statements Prepared according to international accounting standards, Providing those interested in the work of the committee with information about its method of forming accounting standards International.

- This framework does not represent an international accounting standard, and therefore it does not specify how to measure or disclose any matter. There is nothing in this framework that precedes any specific accounting standard.

- In the event that there is a contradiction between this framework and an international accounting standard, then the requirements of the international accounting standard will precede this framework and in any case, and as long as the committee's board will inform this framework when preparing future standards or reviewing the existing standards, the number of cases The discrepancy between the framework and IPSAS will decrease over time.
- This will be reviewed for a framework from time to time in light of the Council's experience in working on it (Arab Society of Certified Accountants 1999).

➤ INTERNAL CONTROL

Concept of Internal control: in terms of job meaning, many thinkers and administrators have reached different results revolving around the fact that oversight is a job and despite their agreement on the importance of this job, they did not agree on a unified definition about the oversight function or on an accurate definition of its nature (Hamid 2009). Another definition is that the internal functional oversight that provides the system with the necessary adjustments in the light of the plan and fix deviations from the goals of the system within the permissible limits (Sakarneh & Najm Al-Azzawi 2010).

The term internal control was used at that time as a synonym for reforming internal control that aims to reduce errors and protect assets from misuse, theft and loss, and the concept of internal control has expanded as a natural result of the development of facilities and their internal systems as the concept of internal control is one of the links of the internal control system The American Accountants Academy issued a special bulletin for internal control, which it pointed out that (the internal control includes the organization plan and all the related methods and measures that are used in the facility for the purpose of protecting the assets and ensuring the mathematical accuracy of the accounting data and relying on them as it aims to improve the production efficiency and encourage traffic according to policies Administrative Drawn).

The first organization in the field of auditing Fenesta, Italy, appeared in 1081, where Roxonati College was established, and membership of this college in 1669 became a condition for practicing the auditing profession until auditing became an independent profession in Britain when the Society of Chartered Accountants was established in Edinburgh in 1854 (Kafi2014).

Control and internal audit standards: Attribute standards: This group consists of four general or personal criteria as follows:

- **Goal and Authority Criteria:** The purpose, authority and responsibility of the internal audit activity should be formally defined in the internal audit constitution and in line with the definition of internal audit and the rules and ethics of the profession and the norms governing this profession and the CEO of internal audit should periodically examine the internal audit constitution and submit it to senior management and the board of directors for approval or approval.

The internal audit constitution is an official document that specifies the purpose of the internal audit activity, its powers and responsibilities, the organizational status of the internal audit activity within the company, the authority to access records, people, and material property related to specific costs and the scope of the internal audit activities, and the approval or ratification process of the internal audit activity constitution remains among the responsibilities Board of Directors .

Independence and objectivity standards: According to this standard, the internal audit system should be independent, and internal auditors should be objective when performing their duties. Independence refers to a lack of situations that may threaten the ability of the internal audit activity or the director of the internal audit department to perform or fulfill internal audit responsibilities in an unstable manner and to achieve the degree of independence Necessary for the effective implementation or fulfillment of the responsibilities of the internal audit activity.

Efficiency standards and due diligence: The assignments should be performed with the necessary professionalism and due diligence, and the competence means that the internal auditor possesses the knowledge, skills and other competencies required to perform his individual responsibilities, and therefore the internal audit manager should possess or obtain in total the skills, knowledge and other competencies required to fulfill his responsibilities. It is worth noting the skills, knowledge and other competencies, which is a colloquial term referring to the professional or professional competence required to implement or fulfill the internal auditors' tasks. In general, the following should be considered regarding this standard:

- The director of internal audit should obtain the necessary advice and assistance if the internal auditors lack the knowledge, skills and other competencies required to perform all or part of the assignment.
- The internal auditors should have sufficient or appropriate knowledge to assess the risks of fraud and the way in which this fraud is managed by the company's management, but it is not expected from him that he possesses the ability of the person primarily responsible for discovering and investigating the fraud.
- The internal auditors should have adequate or adequate knowledge of the control structures and the main risks of information technology when performing the specific tasks, however it is not expected that the internal auditor will have the same experience as the person who is mainly responsible for the review of information technology (Nasr Ali 2016).

Regulatory Reports: It is an internal means of communication prepared in an objective manner according to the scientific principles provided by the administrative accountant to the various administrative levels and includes a comparison of the actual performance with the plan and the reasons for the differences in order to rationalize control decisions.

When preparing audit reports, the management accountant must take into account the following:

- Reports that relate to the organizational structure of the facility, bearing in mind that the degree of

total and focus increases with the increase in the administrative level to which the report is submitted.

- Includes in the report external elements that are subject to the control and control of the person to whom the report is submitted, and the elements that he should be aware of, even if they are not within the scope of his control and control.
- Shows to the official the level of performance he actually achieved during the period of time covered by the report.
- Highlights those factors that need more official attention in the future.

In order for the reports to achieve the goals required of them, they must have the following characteristics:

1. Objectivity: Any impartiality and realism are far from personal prejudice and represent the full facts.
2. Inclusion: deals with all other aspects that need to be announced.
3. Clarity: Ie formulated in a clear language and easy to understand.
4. Speed: Provide reports at the appropriate times so that they can be taken advantage of immediately.

The oversight body may take over this method from time to time to make the supervised bodies in a permanent sense of alertness of the supervisory body and follow-up of its oversight function (Nour Al-Akkad)

HYPOTHESES TEST

First hypothesis: applying the international accounting standards impact on internal audit.

Tabe (1) Median&Chi-Square Test

phrases	median	Chi-square	sig
1. Presenting the financial statements fairly according to the international accounting standards impact on internal financial audit.	2.000	26.400	0.000
2. The administration's development of accounting policies impact on achievement the objectives of internal audit.	2.000	9.800	0.007
3. The stability of the financial statements presentation impact on efficiency of internal audit.	4.000	32.600	0.000
4. The change in accounting estimates impact on results of the internal audit.	5.000	14.000	0.003
5. The standard of presentation and disclosure of financial instruments impact on efficiency of internal audit	5.500	21.00	0.000
Hypothesis average	4.000	16.100	0.097

From table (1) The value of calculated Chi-square to indicate the differences between the numbers of the study sample according to what came in all the first hypothesis statements (16.100) and the significance (0.097) and this value is less than the level of significance (5%), that show the applying of international accounting standards impact on internal audit.

Second hypothesis: applying the international accounting standards impact on financial control.

Table (2) Median&Chi-Square Test

phrases	median	Chi-square	sig
1. The higher the degree of accounting disclosure, the less the need for strict financial control procedures.	4.000	14.400	0.002
2. The efficiency of the financial control process depends on the reliability of the information and accounting data provided.	4.000	9.650	0.008
3. Changes in accounting estimates affect the results of financial controls.	4.000	25.800	0.000
4. Applying the change in accounting policies retroactively affecting the validity of financial control reports.	4.000	16.400	0.001
5. The change in accounting policies affects the results of finan	4.000	33.200	0.000
Hypothesis average	4.000	18.500	0.018

From table (2) The value of calculated Chi-square to indicate the differences between the numbers of the study sample according to what came in all the first hypothesis statements (18.500) and the significance (0.018) and this value is less than the level of significance (5%), that show the applying the international accounting standards impact on financial control.

Third hypothesis: applying the international accounting standards impact on efficiency of internal control

Table (3) Median&Chi-Square Test

phrases	median	Chi-square	sig
1. Disclosure in accordance with International Accounting Standards helps to provide the necessary information for internal control.	4.000	31.400	0.000
2. Disclosure in accordance with international accounting standards helps to achieve the accuracy and accuracy of the information necessary for internal control.	4.000	12.200	0.002
3. The standard for disclosure and presentation of financial instruments helps raise the efficiency of internal preventive oversight.	4.000	19.850	0.000
4. The standard for disclosure and presentation of financial instruments helps the administration in setting internal control plans.	4.000	12.350	0.002
5. The change in accounting estimates affects the results of internal control.	4.000	37.400	0.000
Hypothesis average	4.000	18.800	0.009

From table (3) The value of calculated Chi-square to indicate the differences between the numbers of the study sample according to what came in all the first hypothesis statements (18.800) and the significance (0.009) and this value is less than the level of significance (5%), that show the applying the international accounting standards impact on efficiency of internal control.

CONCLUSION

Of all the theoretical and statistical studies that were previously conducted, the researchers came up with many results, which are as follows: There is a clearly observed effect when applying international accounting standards on internal audit, the change in accounting estimates has a impact on the results of internal audit, the efficiency of internal audit is affected by the application of the presentation and disclosure standard Financial instruments, the application of international accounting standards affects financial control, the application of international accounting standards affects the efficiency of internal control, the standard for disclosure and presentation of financial instruments helps raise the efficiency of internal preventive control, Based on the results of this research, the researchers recommend the following

recommendations: displaying financial statements in accordance with international accounting standards, developing management for accounting policies in accordance with international accounting standards, applying international accounting standards in general to raise the efficiency of internal control. Interest in applying the standard of presentation and disclosure of financial instruments to assist management in developing internal control plans.

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