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# THE ROLE OF ACCOUNTING INFORMATION SYSTEM GOVERNANCE IN COMBATING FINANCIAL CORRUPTION

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## ABSTRACT

This study was aimed at shedding the light, in a rather extensive and deliberately elongated manner, on the role of governance within the accounting information system in resisting and confronting the phenomenon of financial corruption, a phenomenon that has come to menace and indeed threaten the economies of both developed and developing countries alike, without discrimination or exception. The study has thus tackled the problematic question concerning the extent to which an integrated and well-governed accounting information system may contribute, in a practical and theoretical sense, to the fight against the manifestations and varied appearances of financial corruption.

In order to attain the objectives that were carefully delineated for this research, reliance was made upon the descriptive method in the theoretical dimension of the work, specifically through recourse to references which were represented by books, specialized journals, and prior studies that are directly connected with the topic. Likewise, the questionnaire instrument was employed in the applied or practical section, with the aim of investigating and collecting the views and perspectives of practitioners within the accounting professions regarding the extent to which the governance of the accounting information system contributes to combating financial corruption.

The study arrived at the conclusion that the governance of the accounting information system indeed contributes, and plays a significant role, in limiting and curbing financial corruption. Conversely, an accounting information system that is not governed provides an environment that is suitable and even fertile for the spread and diffusion of diverse forms and manifestations of financial corruption. Moreover, it was found that the accounting information system must continuously keep pace with, and adapt to, the developments and transformations taking place within both the local and the international business environment.

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## KEYWORDS

Financial Corruption, Governance, Accounting Information System

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### **Introduction:**

Information technology is to be considered as the most distinctive feature, indeed the most striking hallmark, of the last decades of the twentieth century. The technological development has led to an ever-increasing volume of such information, which necessarily must be processed and stored within special information systems. The applications of these systems have, in fact, spread widely across various fields and at all levels, among which lies the accounting field. It has become inevitable, almost compulsory, that accounting information should be processed according to systems specifically designed for it, in order for the enterprise to accompany, to keep pace with, the transformations taking place in the business environment. Yet, the use of these accounting systems has resulted in many problems and disturbances, which manifested themselves in some forms of financial corruption linked to the accounting information system itself. The development of information technology has, moreover, coincided with the emergence of numerous concepts and terms, which have gained great importance due to their significant role in the improvement and enhancement of information systems.

Among the most important of these concepts is "governance," which has expanded to include the accounting information system. The IT Governance Institute (ITGI) provided in 2003 a definition of IT governance as the responsibility of the board of directors and executive management; it is an integral part of enterprise governance and is composed of leadership, structures, and processes that ensure that the organization's IT supports and extends its objectives and strategies. Najlaa Ibrahim Yahia Abdulrahman, in her study entitled *The Role of IT Governance in Controlling the Risks of Enterprises in the Saudi Banking Sector* published in *Journal of Accounting Thought* in 2013, argues that the governance of information systems represents an effective tool within the enterprise, by creating flexibility in IT as well as in the structures and processes of information systems. She regards it as the organizational capacity to control the formation and the application of IT strategy.

With the emergence of accounting problems that cast their shadows on accounting research, and even on accounting organization itself, the accounting scandals and the collapse of major American corporations have raised doubts about those reports that did not reflect the true financial situation of such companies. These reports became, in a sense, an image of financial corruption. Heal and Wahlen (1999) defined it as "the use of management's personal judgment concerning the financial reports issued by the accounting systems, and the structuring of operations with the aim of modifying the financial statements either to mislead stakeholders about the economic performance of the firm or to influence contractual arrangements that are based upon reported accounting numbers.

These factors led to the necessity of resorting to new mechanisms for managing financial reports characterized by transparency and the provision of relevant information, which can be relied upon equally by all users when taking different decisions, all within a regulatory framework that guarantees the protection of capital. This is to be achieved by activating the method of governance and the related procedures, which are based on a number of principles that call for honest and prudent management of such institutions.

### **I. Research Problem**

Through this study, we seek to address the following central problematic:

– **To what extent does the governance of the accounting information system contribute to combating financial corruption?**

### **II. Research Hypotheses**

- The governance of the accounting information system is considered a modern topic, which may be linked with various fields and applications.
- The governance of the accounting information system contributes to combating financial corruption.

### **III. Importance of the Study**

The importance of this study lies in the fact that it deals with the governance of the accounting information system, and with the necessity of its development and reinforcement to keep pace with the ongoing transformations in the business environment, in order to combat financial corruption. The phenomenon has come to pose a great danger to economic systems, which has necessitated the integration of information systems and the strengthening of control and preventive measures of the accounting information system in facing the phenomenon of financial corruption.

#### IV. Objectives of the Study

This study aims to achieve a set of objectives, among which are:

- Shedding light on the role and effectiveness of the accounting information system in limiting the phenomenon of financial corruption.
- Demonstrating the importance of the contribution of the governance of the accounting information system in combating financial corruption.
- Identifying the advantages and benefits of governance, and how they may be used in obtaining accounting information that is of high quality and credibility.
- Reaching results that may help in activating the accounting information system in combating the various manifestations of financial corruption.

#### V. Previous Studies

Through a review of previous studies related to the subject, we recorded that there are some works that dealt with aspects of the study's topic. For example, Mohamed Ahmed Ibrahim Khalil, in his study entitled *The Role of Corporate Governance in Achieving the Quality of Accounting Information and Its Reflections on the Stock Market*, published in *Journal of Commercial Studies and Research* in 2005, concluded that the multiple accounting dimensions of corporate governance include achieving accountability and accounting control, seeking the development and application of accounting and auditing standards, the increasing role of both internal and external auditing, the audit committees, achieving disclosure and transparency, reducing the negative effects of earnings management, and providing effective and continuous evaluation of the economic unit's performance. Likewise, Abdel Razzaq Qasim Shahada and Saad Mohamed Al-Asi in 2009, in their study entitled *An Integrated Framework for Evaluating the Efficiency of Accounting Information Systems and Setting Standards for Evaluating the Efficiency of These Systems in Banking Institutions*, concluded with many results, the most important of which is that accounting information systems have the ability to meet and satisfy the information needs of those who follow the activities of banking institutions. They also found that accounting information systems play a prominent role in activating the activities and effectiveness of banking organizations, achieving administrative control, reducing risks, and contributing to their management.

What distinguishes the present study from its predecessors is that it deals with the accounting information system in its modern conception, and applies it to aspects of governance, which have become an urgent necessity called for by most international organizations, with the aim of improving the world economy and avoiding the repetition of financial crises and manifestations of financial corruption.

#### I. The Nature of Governance of Accounting Information Systems

##### 1. The Concept of the Accounting Information System

The accounting information system has been defined as a sub-system of information within the enterprise, which operates the basic financial processes in order to produce financial information related to performance results (Hijazi, 1987, p. 52).

It has also been defined as the body responsible for providing financial and quantitative information to all departments and other parties. In other words, the accounting information system is considered as one of the components of an administrative organization that is concerned with collecting, classifying, processing, analyzing, and transmitting financial and quantitative information to decision-makers both internally and externally (Jumaa et al., 2008, p. 201).

It may also be said that it is responsible for providing financial and quantitative information to all departments, processing it, and transmitting it to the relevant parties so that decisions may be made.

##### 2. Sections of the Accounting Information System

The accounting information system is composed of several interrelated sections. The first of these is the data collection unit, where this part gathers data from the environment surrounding the institution, or through feedback by means of observation and recording. The nature of the institution and the type of outputs required exert a major influence on the kind of data that are collected and recorded in the system.

At the level of the data processing unit, the accountant carries out recording, communicating, posting, and analysis. The financial accountant relies upon the traditional system such as the general journal, or the central system of subsidiary journals, or some other processing system. After that, the data move to the data and information storage unit. Whether it be data or accounting information, they require storage in the form of

electronic files or manual files, which the accountant can use in the case of accountability, auditing, or when comparing between the results of several cycles.

Finally, the information moves to the unit of dissemination and distribution of information, which provides us with the different outputs of the accounting information system such as financial statements, attached tables, and cost reports. These are used by external parties such as the tax authority, and by internal parties such as managers. Reference must also be made to the importance of the feedback unit, such as standard costs, in the partial system of cost accounting (Boufraoua, 2012, p. 36).

### **Functions of the Accounting Information System**

The accounting information system performs a set of functions within the organization, as illustrated in the following figure. These functions can be summarized in four main functions:

1. The collection and storage of data related to the systems and processes of the enterprise, efficiently and effectively.
2. The processing of data through sorting, classifying, and summarizing.
3. The generation of useful information for decision-making.
4. The provision of adequate control, which includes the accurate recording and processing of data related to business systems (Al-Qasim, 2004, p. 45).

### **3. Objectives of the Accounting Information System**

The primary purpose of any accounting information system is to provide accounting information to various internal users such as management, and external users such as customers. Three specific objectives can be identified:

– The first objective consists in the daily support of operations. Any economic unit engages daily in activities and events that are called operations. By accounting operations are meant the financial transactions, i.e., the transfer of value or benefit between two parties as a result of an administrative decision or action. These include events of exchange of economic value. For example, sales operations occurring in economic units are exchanges of economic value and thus constitute accounting operations, which are essentially contained and processed by accounting information systems. It should be noted that most non-accounting operations, such as a purchase order, also lead to an accounting operation. When an economic unit buys goods on account based on a certain purchase order, this leads to an accounting operation, as the goods in stock increase and the inventory or purchases are debited, while creditors increase and are credited. Hence we see that even non-accounting operations are included and processed by the accounting information system due to their impact on accounting operations.

– The second objective is decision-support, i.e., providing information for the decision-making process, which must usually be taken in proportion to the operations of the economic unit and with precaution. This objective is often referred to as information processing.

– The third objective is the fulfillment of obligations related to management, since the importance of obligations is determined by the provision of the necessary information to external users regarding economic units. For example, merged economic units or those of public ownership have significant obligations. Economic units are required to provide information to stakeholders, which include, in addition to owners, creditors, labor unions, regulatory committees, financial analysts, industrial participants, and even the general public. Smaller economic units, on the other hand, usually issue financial statements periodically to shareholders, and must also provide tax income reports to governmental authorities (Al-Zarawi & Al-Janabi, pp. 27–29).

### **4. Processing in the Accounting Information System**

The process of accounting registration is carried out according to several steps, beginning with the journal entries, which are accounting records in which data are recorded in the order of their occurrence and in monetary values. Each journal entry reflects the basic data of a given operation, showing debit values, credit values, and the accounts of the debtor and creditor party (Al-Aamash, 1992, p. 125).

Thereafter, the accounts are posted to the ledger and the trial balance. The ledger is a record that includes all the accounts of the institution. It is not legally compulsory, but it is considered a fundamental document for any accounting organization and cannot be dispensed with (Al-Aamash, 1992, p. 130).

The trial balance, meanwhile, is a tool to measure the accounting balance in order to ensure the accuracy of the records in the books. The trial balance is used to verify the accuracy of entries in the journal, their posting to the ledger, and the correctness of the posting operations (Al-Aamash, 1992, p. 134).

### **5. Main Types of Transactions in the Accounting Information System**

The transactions of the economic unit can be grouped into several basic cycles, each of which constitutes a fundamental subsystem of the accounting information system. These include, first, the expenditure cycle, which consists of activities related to the purchase of goods, services, or raw materials used by the economic unit and the payment of their value. Next comes the production cycle, which includes the activities related to the transformation of raw materials and labor into finished goods. Then follows the human resources cycle (salaries and wages), which contains activities related to hiring workers and paying their entitlements.

After that comes the revenue cycle, including activities related to sales services and the collection of their value. The transactions are then posted to the general ledger and financial reports, which encompass all activities related to updating the general ledger and producing reports for internal and external users. The financing cycle also has great importance, as it includes all activities related to obtaining funds to manage the economic unit's operations, repaying obligations, and distributing dividends (Al-Zarawi & Al-Janabi, p. 41).

The following figure shows the subsystems and main systems of the accounting information system:

## **II. The Nature of Governance of Information Systems**

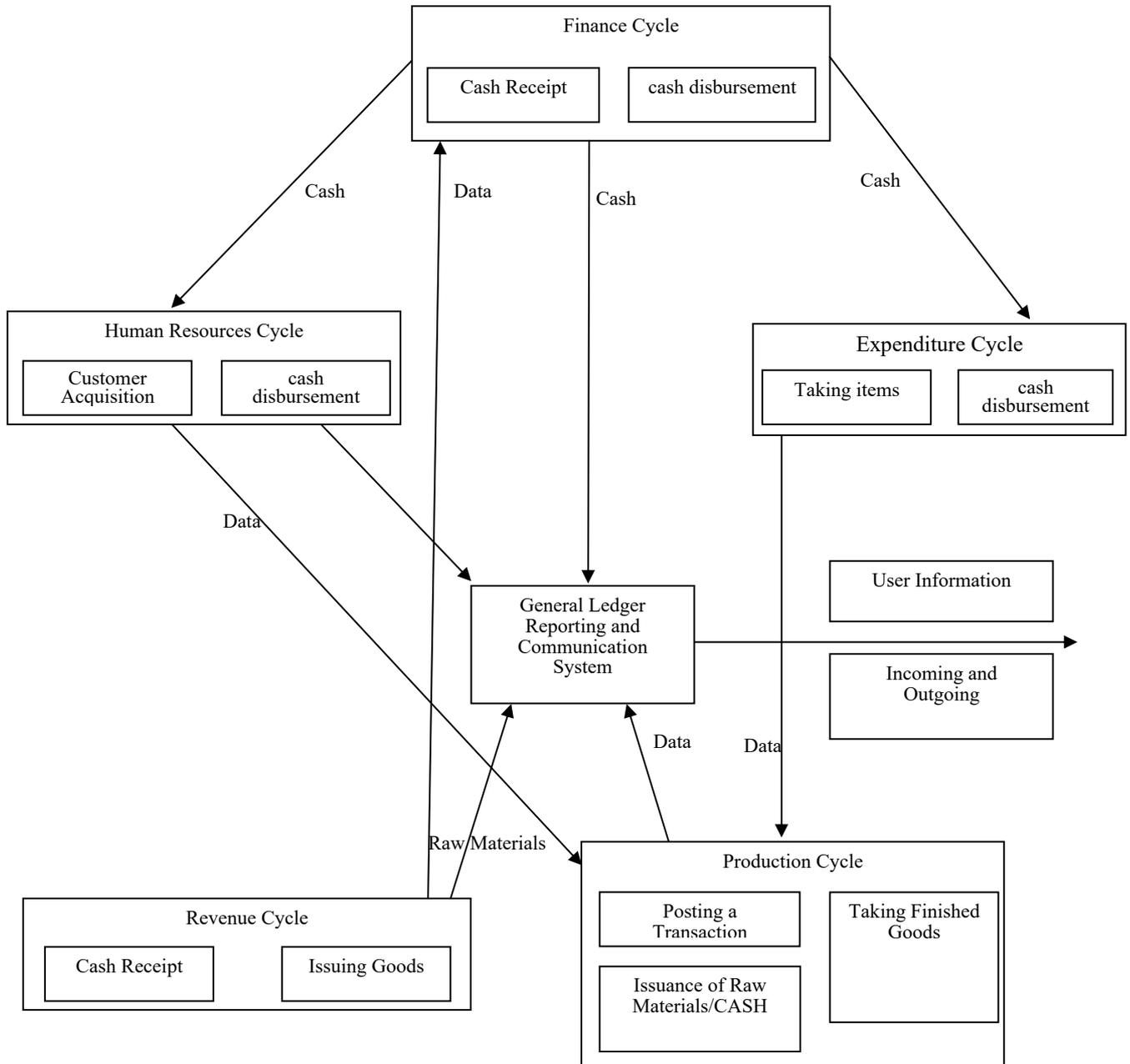
An institution that depends on the information system faces a set of problems that can be said to be modern problems not previously present, problems related to information as an economic resource that can be measured. Yet, the absence of clear methods relying on traditional models makes it difficult to guarantee, control, and manage information within such an institution. Therefore, the institution must depend upon modern methods that work to link management with the control and guidance of information. Achieving such a linkage required the emergence of a new approach that allows it, namely, what is known as the governance of information systems.

### **1. Definition of Governance of Information Systems**

The IT Governance Association has defined it as follows: "The governance of information systems is the responsibility of the board of directors and the executive management. It is an integral part of corporate governance, relating to leadership, organizational structures, and processes that ensure the support of information systems in achieving the objectives and strategies of the institution." It has also been defined as an inseparable part of corporate governance, focusing on information systems, performance, and risk management (Al-Shuwayat, 2014, p. 282).

### **2. Objectives of Governance of Information Systems**

Among the most prominent objectives sought by the governance of information systems are the alignment of information systems with the professional priorities of the institution, the measurement of the effectiveness of information systems, and the contribution to achieving objectives related to value creation and control of financial aspects connected to information systems. It also aims to raise the performance of information processes and direct them to serve customers, to control the financial aspects of the institution's information systems, to develop various solutions and skills related to the information system within the institution, and to ensure the management of various risks connected to the information system without neglecting transparency.



**Fig. 1.** The relationship between the subsystems of the accounting information system  
 Source: Ibrahim Al-Zarawi & Amer Al-Janabi, *Fundamentals of Accounting Information Systems*, Dar Al-Yazouri Publishing, p. 41.

### 3. Areas of Governance of Information Systems

Institutions seek to maintain the effectiveness of their information systems governance through five areas: strategic alignment, resource management, value delivery, risk management, and performance measurement. Through strategic alignment, it is ensured that information plans are aligned with professional plans, in a manner that permits the creation of value for the institution.

Through resource management, which includes examples such as investment in vital information resources and, in good measure, applications, infrastructures, and people. Through value delivery, which includes the implementation of value-added propositions at the stage of service provision, thus ensuring that information adds profits to the strategic plan, and ensuring focus on cost examples while proving the essential value of the information system.

Through risk management, the matter requires awareness of risks, a clear vision, good knowledge of compliance and transparency requirements, and the distribution of responsibilities in risk management within the institution. As for performance measurement, it requires follow-up and vigilance in implementing the strategy, such as the use of the balanced scorecard (Al-Shuwayat, pp. 284–285).

#### 4. Governance and Accounting Information Systems

##### The Accounting Dimensions of Governance

The accounting dimensions of governance enjoy considerable significance and occupy the largest space among the various procedures and mechanisms for applying governance. They unfold across several distinct stages. The first is the stage of control over accounting work, which itself encompasses two categories of oversight: *ex-ante control* and *ex-post control* of accounting activities. Following this comes the stage of the actual practice of accounting work, beginning with adherence to the application of accounting standards, accompanied by the evaluation and monitoring of performance, as well as the management of earnings. Finally, there is the stage that succeeds the actual practice, which incorporates the roles played by audit committees and external auditing, both of which contribute substantially to instilling trust and credibility in the disclosed accounting information.

In this regard, accounting knowledge constitutes a fundamental pillar of governance, given that it rests upon control and financial disclosure, which themselves depend on accounting information, risk management, and the subsequent effects on institutional activities and profitability. The importance of governance has grown increasingly salient with the rising incidences of corporate failure, financial collapses, and economic crises. Consequently, heightened attention to governance has become closely tied to efforts to improve performance, realize disclosure and transparency, and enforce discipline across all financial and accounting information (Khalil, n.d.).

Thus, the accounting information system stands as the mechanism responsible for providing the necessary information to multiple stakeholders, both internal and external to the institution, thereby enabling each party to benefit from such information. It also contributes to reinforcing control over the actions and decisions of the board of directors, and consequently to the implementation of governance itself, whose ultimate pursuit remains the achievement of these very objectives (Khalil, n.d., available at: <http://islamfin.go-forum.net/montada-f43/topic>, accessed June 24, 2016, 12:45).

##### 5. The Support of the Accounting Information System for Governance

The accounting information system lends support to governance across a set of crucial and indispensable aspects, which may be summarized in the following principal points:

- **Accountability and Accounting Oversight:** The board of directors must ensure vigilant monitoring of managerial activities, from the highest to the lowest administrative levels. This must be supplemented by horizontal accountability and oversight, exercised mutually between the board of directors, shareholders, and other stakeholders in the institution.

- **Commitment to the Application of Accounting and Auditing Standards:** Weaknesses in the practices of accounting and auditing represent among the most detrimental shortcomings to governance. Therefore, there is a pressing necessity to foster sound practices and to reconsider the accounting and auditing standards currently in force.

- **The Role of Internal Auditing:** Internal auditing assists governance by evaluating and enhancing the internal processes of the institution, thereby achieving internal control.

- **The Role of External Auditing:** External auditors must inject both precision and credibility into accounting information by expressing their opinion on the truthfulness and fairness of financial statements. Their role is both central and effective, mitigating the problem of asymmetry in accounting information and the negative distortions that may arise from it.

- **The Role of Audit Committees:** Scholarly research underscores the necessity of establishing audit committees to ensure the application of governance. The role of these committees constitutes a critical factor in assessing the levels of governance being implemented. Audit committees play a vital function in guaranteeing the quality of financial reporting and strengthening trust in accounting information, through their supervisory responsibility over both internal and external auditing processes, as well as their resistance to managerial pressures and interferences in the audit function.

– **Earnings Management:** Certain institutions deliberately engage in earnings management policies to secure various objectives, such as meeting predicted earnings levels, avoiding forecast deviations, or obtaining benefits tied to high earnings, including bonuses and commissions. In this sense, earnings management refers to the manipulation of accounting data within financial reports by the administration for such ends.

– **Performance Evaluation of Institutions:** Governance acquires its importance through its role in enhancing the efficiency of resource utilization, maximizing institutional value, and bolstering competitiveness in markets. This, in turn, enables institutions to create new employment opportunities. Consequently, accounting dimensions hold greater prominence and broader scope compared to other dimensions among the diverse approaches to governance (Ibrahim, n.d., available at: <http://infotech.accountants.com/forums/showthread.php/12489>, accessed June 25, 2016, 10:03).

### III. The Role of the Accounting Information Systems in Combating Financial Corruption

Through this part, we will address the control procedures required for the accounting information system, which must be relied upon by accounting work in the company in order to combat financial corruption;  
**The Nature of Financial Corruption**

#### 1.1 The Concept of Financial Corruption

Financial corruption has been defined as the totality of financial violations and the contravention of the laws that regulate the course of administrative and financial work in the state and its institutions, and the violation of the instructions related to the financial control bodies such as the Court of Financial Control, which is concerned with examining and monitoring the accounts and the funds of the government and the public authorities, institutions, and companies (Youssef, 2011, p. 134).

And the definition of financial corruption came in the *Encyclopedia of Social Sciences* as the misuse of public influence and the failure to adhere to it for the purpose of achieving specific political, economic, and social interests. It was also defined as the exploitation of public resources for private gains, contrary to the public interest and to the objectives of the public organization, as well as the disregard of the values of work and its aims. It is therefore illegal behaviors carried out by the official that involve the misappropriation of public funds, the control over them and their use for other than the purposes for which they were intended, and their utilization for personal benefit. It has even taken on wide and large dimensions that surpassed the scope of its national character to reach the global scope within the known free economic system, through the interlinked network of local and international companies and political leadership in a form of mutual self-benefits that are difficult to separate. Therefore, it is considered the most dangerous type of corruption and spreads widely.

#### 1.2 Causes and Manifestations of Financial Corruption

##### 1.2.1 Causes of Financial Corruption:

Negative phenomena that societies suffer from cannot be addressed unless their causes and motives of emergence are diagnosed. The World Bank has identified a set of causes for the emergence of financial corruption, the most prominent of which are the following (Mohamed, 2008, pp. 3–8):

- Marginalization of the role of oversight institutions, and they may themselves suffer from corruption;
- The existence of bureaucracy in the institutions of the state;
- A vacuum in political power resulting from the struggle for control over state institutions;
- The weakness of civil society institutions and the marginalization of their role;

##### 1.2.2 Manifestations of Financial Corruption:

From the previous presentation of financial corruption, it contains many illegal manifestations, all of which fall under the cover of achieving personal interests. The forms of financial corruption varied in terms of its practice, and the most important forms of this type of corruption can be limited to the following (Abdel-Khaliq et al., 2009, p. 62):

- **Encroachment upon public money:** This form of financial corruption occurs through obtaining tax or customs exemptions, or licenses for individuals or companies in an illegal and unjustified manner, or taking public funds under the titles of grants or direct or indirect aids without right.
- **Lack of integrity and transparency in financial actions:** This form may relate to the process of awarding government tenders illegally to companies, establishments, or units, most of which are associated with the existence of a relationship with senior officials (holders of large financial responsibilities) in those units or with their relatives, or the use of illegal methods or tricks to exploit governmental institutions.

- **Smuggling of funds:** The act of some officials smuggling public funds that have been illegally and unjustifiably seized abroad.
- **Money laundering:** Money laundering operations represent a globally dangerous phenomenon as well as a crime whose primary purpose relates to changing the identity of funds in an illegal manner. Its content relates to obliterating the sources of acquired funds to make those funds legitimate and clean (transforming dirty money into legal money). The recourse to its sources of acquisition was illegal, so its most important sources are financial fraud or financial cheating, embezzlement, blackmail... and others.
- **Blackmail and forgery:** This is for the purpose of obtaining money from people by exploiting his job position with legal or administrative justifications and hiding the effective instructions from the concerned persons, as happens in tax departments, or the forgery of academic certificates or currency (Mabed, 2012, p. 48).
- **Bribery:** Represented in the promise of the public employee of an undue advantage, or offering it to him, or granting it to him directly or indirectly, whether for the benefit of the employee himself or for the benefit of another person, so that this employee carries out or refrains from doing something in the course of performing his official duties (Darwish, 2010, p. 20).
- **Nepotism and favoritism:** This phenomenon consists of the sponsorship of relatives and acquaintances and preferring them in the field of appointment or contract conclusion, which represents a dangerous type of corruption because it means giving a right to those who do not deserve it (Abboud, 2010, p. 122).
- **Fraud or manipulation:** It means modifying data for the purpose of obtaining personal benefits, or misleading another party and preventing him from obtaining his legitimate rights, or burdening him with more than his real obligations, or obtaining the assets and properties of the economic unit to use them for private purposes (Al-Subban & Al-Fayoumi, 1990, p. 135).

### 1. The Role of the Accounting Information System in Combating Financial Corruption

Through this section, we will address the control procedures that must be taken for the accounting information system, by the accountant, in order to combat financial corruption:

- **The Purchasing Cycle System:** The purchasing cycle includes the activities related to obtaining goods and services, and a set of control procedures must be adopted to ensure the operations in terms of occurrence, completeness, accuracy, classification, cutoff, and also balances in terms of existence, completeness, valuation, allocation, rights, and obligations. The most important control procedures that must be taken to block and combat all manifestations of financial corruption are represented starting from the purchase request, where it is ensured that there is an urgent need for the purchase, that the requested materials are correct, as well as verifying the approval of the purchase request, the existence of the necessary appropriation to finance the purchase process, and that the purchase requests are pre-printed and pre-numbered (Al-Fatlawi, 2012, pp. 286–287).

1.2 After verifying the purchase request, control is exercised over the purchase order, where it is ensured that the prices stated in the purchase order are appropriate to the prevailing prices in the market, as well as the pre-numbering of purchase orders, and that the purchase orders are authenticated by the purchasing committee and the accounts manager, and that there is a written request for each purchase order.

As for the receiving report, a set of control procedures are carried out on it, starting with ensuring the existence of the approved purchase order for each receipt operation, ensuring that the received goods are in good condition and in accordance with the specifications, as well as placing the quantity field (blank) on the copy of the purchase order sent to the receiving department.

Finally, and before the control over the accounting treatment, control is carried out over the invoice by ensuring that the invoice is official and correct and clarifies the purchased data, verifying that the invoice data matches the purchase orders and with the quantities received, ensuring that the payment is made based on the original invoice, and that the invoice relates to the current cycle.

As for the accounting treatment process, control is exercised over it by first ensuring the conformity of the accounting entries with the related invoices to confirm the recording of the purchase operation, as well as examining the posting process from the purchases journal to the suppliers' account in the general ledger, verifying the opening balances of the ledger accounts and their conformity with the results of confirmations received from suppliers. In the case of recording the purchase entry at standard prices, it must be ensured that adjustment entries are made when the invoice that carries the actual prices arrives.

## 2. The Accounting System for Inventories

The accounting system for inventories is likewise regarded as one of the most critical areas in which manifestations of financial corruption frequently emerge and proliferate. Consequently, it becomes imperative to establish a comprehensive set of control procedures that can serve as safeguards to block and resist all possible forms of financial corruption that may infiltrate the cycle of inventories. At the outset, the focus must be directed towards input controls, which can be summarized in the following table:

**Table 1.** Control Operations of the Inventory Accounting System

Document	Procedures / Notes
Stock Entry Memo	<ul style="list-style-type: none"> <li>- Ensure the correctness of procedures required when receiving incoming materials.</li> <li>- Examine and evaluate the stock control procedures.</li> <li>- Use a pre-printed and pre-numbered stock entry memo.</li> </ul>
Stock Card	<ul style="list-style-type: none"> <li>- Concentrate the storage function within the warehouse management through the warehouse officers.</li> <li>- Inspect the coding and arrangement system for the stored materials and assess its suitability for the types of materials handled by the company.</li> <li>- Conduct periodic reconciliations between the stock cards and actual inventory, as well as between the stock cards and inventory control records.</li> </ul>
Stock Issue Memo	<ul style="list-style-type: none"> <li>- Ensure proper organization of stock issue documents for materials released from the warehouse based on sales orders.</li> <li>- Confirm that the issued materials recorded on the stock issue memo are correctly deducted from the stock card.</li> <li>- Use a pre-printed and pre-numbered stock issue memo.</li> </ul>
Stock Return Memo	<ul style="list-style-type: none"> <li>- Concentrate the function of returning materials to the warehouse under a specific administrative department, such as the Production Control Department.</li> <li>- No material items are to be returned except through a pre-printed and pre-numbered stock return memo.</li> <li>- Prepare multiple copies of the stock return memo: one for the warehouse as a voucher, one for the department returning the materials, and one for accounting.</li> </ul>

*Source: Prepared by the researcher based on Laila Naji Majeed Al-Fatlawi, "The Role of Accounting and Cost Information Systems in Combating Financial Corruption," Baghdad College of Economic Sciences Journal, 2012, No. 32, pp. 291–292 (with adaptation).*

As for the **accounting treatment**, monitoring is carried out by verifying that inventory counts are conducted in accordance with the adopted inventory system, performing reconciliations between the results of the count and both the warehouse control records and accounting records, extracting discrepancies (if any), and determining their causes in order to take corrective measures. In addition, annual stocktaking must be performed to monitor all materials stored in the warehouses regardless of their importance or quantities, with special attention to small-sized yet high-value items that are easily portable and possess significant market value. Furthermore, the selection of warehouse staff must be handled carefully, based on good conduct, integrity, honesty, and reputation. Finally, the correctness of inventory accounting operations must be checked to ensure that no errors occur during stocktaking or valuation processes.

## IV. Methodology and Field Study Procedures

This section presents the scientific methodology adopted in the field study, the definition of the study population and sample, as well as the research tools employed for data collection.

### 1. The Scientific Method Used in the Study

The primary aim of this study is to measure the extent to which the governance of accounting information systems contributes to combating financial corruption, with application to a group of accounting offices in Algeria. For this purpose, we adopted the descriptive–analytical method, which seeks to provide factual data and information about the problem under investigation, to interpret it, highlight its implications, and arrive at accurate and detailed knowledge, thereby achieving a more precise and comprehensive understanding of the phenomenon. Furthermore, to analyze the subject matter of this study, the researchers employed the case study approach by applying the theoretical framework to a selected group of accounting offices in Algeria.

## 2. Study Population and Sample

The study population consists of accountants working in accounting offices in Algeria. Given the difficulty of determining the exact number of employees in all offices, we selected a random sample of 50 employees from these offices. Out of these, 41 questionnaires were deemed valid for analysis.

## 3. Research Tool

The primary tool employed in this study is the questionnaire, which was designed to achieve multiple objectives through its various items. The central objective, however, was to determine the extent to which the governance of accounting information systems contributes to combating financial corruption.

## V. Results Analysis and Hypotheses Testing

### First: Analysis of General Data of the Study Sample

#### 1. Gender

**Table 2.** Distribution of Sample Members by Gender

Total	Female	Male	Gender
41	2	39	Frequency
100	4.9%	95.1%	Percentage

*Source: Prepared by the researcher based on questionnaire data.*

It is evident from Table (02) that the number of males amounted to 39, representing 95.1% of the total sample, while the number of females was only 2, representing 4.9%. This clearly indicates that the accounting profession is overwhelmingly dominated by males.

#### 2. Educational Qualification

**Table 3.** Distribution of Sample Members by Educational Level

Doctorate	Master's	Bachelor's	Professional Certificate	Educational Level
15	6	18	2	Frequency
36.6%	14.6%	43.9%	4.9%	Percentage

*Source: Prepared by the researcher based on questionnaire data.*

From Table (03), it is observed that the vast majority of the sample hold university degrees, accounting for 95.1%, while only 4.9% (2 individuals) are below the university level. Notably, most of the study population possess advanced academic qualifications, which implies their ability to comprehend and respond effectively to the questionnaire items. This serves as a strong indicator of the availability of scientific competence.

#### 3. Experience

**Table 4.** Distribution of Sample Members by Years of Experience

Total	More than 15	11–15	5–10	Less than 5	Years of Experience
41	16	2	14	9	Frequency
100%	39%	4.9%	34.1%	22%	Percentage

*Source: Prepared by the researcher based on questionnaire data.*

As shown in Table (04), 22% of respondents had less than 5 years of experience, 34.1% had between 5 and 10 years, 4.9% had between 11 and 15 years, while 39% had more than 15 years of experience. This indicates a

relatively high level of professional experience among respondents, which in turn suggests that their responses to the questionnaire are likely to be accurate and reliable, thus reinforcing the validity of the results.

#### 4. Job Position

**Table 5.** Distribution of Sample Members by Job Position

Total	Accounting Expert	Account Supervisor	Accountant	Years of Experience
41	12	13	16	Frequency
100%	29.3%	31.7%	39%	Percentage

*Source: Prepared by the researcher based on questionnaire data.*

It is evident from Table (05) that 39% of the sample are accountants, 31.7% are auditors, and 29.3% are chartered accountants. Overall, this diversity in job titles among the respondents contributes to a multiplicity of perspectives concerning the subject under study.

#### **Second: Results of the Analysis of the Questionnaire Items**

From Table (05), it becomes evident that the categories forming the targeted sample in the accounting offices exhibit a clear and conscious awareness of the subject matter under investigation. The majority of the responses demonstrate a strong alignment with the scientific and practical realities surrounding the dimensions of the research topic. Consequently, it can be stated that the studied sample is sufficiently qualified to achieve the essential aim of this research, which primarily resides in identifying the role of the governance of accounting information systems in combating financial corruption. Moreover, the interpretation of the results displayed in the table also reflects the participants' recognition of the significance of the subject matter and the effectiveness of its practical implications in the real economic environment (Leila, 2012).

Given the multiplicity of perspectives and their usefulness in the field study, what stands out immediately is that the sample, composed of accountants, auditors, and chartered accountants, possesses a genuine and profound awareness regarding the importance of the governance of accounting information systems in countering financial corruption. This awareness is not accidental but rather stems from the participants' continuous interaction with the accounting information system in their professional duties. Furthermore, the proportion of participants whose professional experience in the accounting field extends between five years and more than fifteen years has reached 78%. This high level of expertise among the respondents serves as a positive and reassuring indicator, insofar as the majority of the study's participants are experienced professionals. This reality further substantiates the credibility of the results, which indicate that approximately 94% of the sample members demonstrate a solid understanding of the subject matter, and that their responses genuinely reflect such awareness.

**Table 6.** Results of the Questionnaire Analysis

Variable	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
	Count	%	Count	%	Count
01	Integration of accounting information systems in the institution with subsidiary systems activates various departments' activities, increasing the effectiveness of the accounting information system outputs	14	34.1	25	61
02	Control over the outputs of the accounting information system in the institution reduces uncertainty for its users	19	46.3	20	48.8
03	Using outputs of the accounting information system increases stakeholders' knowledge, facilitating the control process	5	12.2	15	36.6
04	The accounting information system provides the required information on the institution's compliance with laws and regulations issued by supervisory bodies	8	19.5	11	26.8
05	The accounting information system provides control standards and indicators that enable management to detect financial deviations, analyze their causes, and address them	15	36.6	22	53.7
06	Accounting information systems contribute to creating a long-range information network that helps combat financial corruption	9	22	15	36.6
07	Governance of accounting information system outputs, including reports and financial statements, is one of the main sources used to identify corruption points	12	29.3	24	58.5
08	The continuously updated accounting information system provides the data management needs to assess the likelihood of fraud and manipulation	7	17.1	21	51.2
09	The accounting information system helps the institution rationalize financial decisions, minimizing associated risks	4	9.8	10	24.4
10	Accounting information systems provide supervisory bodies with the necessary data to detect all potential manipulations and signs of corruption	12	29.3	17	41.5

*Source: Prepared by the researcher, based on the results of the questionnaire.*

## VI. Results of the Analysis of the Questionnaire Items

The following section presents a detailed table that illustrates the results derived from the statistical analysis of the questionnaire items that constituted the primary research tool for this study. The analysis was carried out through the computation of the arithmetic mean, the standard deviation, as well as the application of the one-sample *t*-test. This particular statistical test operates on the principle of comparing the mean value of each axis of the instrument against a hypothetical reference value, which in this study was set at (03). Moreover, the level of significance adopted was  $\alpha = 5\%$ , which corresponds to the generally accepted threshold in the social sciences. The results of this test are shown and tabulated in the table below:

Table 7. Results of the Analysis of the Questionnaire Items

No.	Statement	Mean	Standard Deviation	t-test	Sig-Value
01	Integration of accounting information systems in the institution with subsidiary systems activates various department activities, increasing the effectiveness of accounting information system outputs	4.29	0.559	37.6	0.000
02	Control over outputs of the accounting information system in the institution reduces uncertainty for its users	4.39	0.666	40.9	0.000
03	Using outputs of the accounting information system increases knowledge among relevant stakeholders, facilitating the control process	3.34	1.087	31.1	0.000
04	The accounting information system provides the required information regarding the institution's compliance with laws and regulations issued by supervisory bodies	3.49	1.003	34.0	0.000
05	The accounting information system provides control standards and indicators enabling management to detect financial deviations, analyze their causes, and address them	4.27	0.633	36.7	0.000
06	Accounting information systems contribute to establishing a long-range information network that helps combat financial corruption	3.51	1.165	43.9	0.000
07	Governance of accounting information system outputs, including reports and financial statements, is one of the main sources used to identify corruption points	4.10	0.800	33.1	0.000
08	The continuously updated accounting information system provides management with the data needed to assess the likelihood of fraud and manipulation	3.68	0.960	30.4	0.000
09	The accounting information system helps the institution rationalize financial decisions, minimizing associated risks	3.20	0.928	39.9	0.000
10	Accounting information systems provide supervisory bodies with the necessary data to detect all potential manipulations and signs of corruption	3.76	1.241	41.0	0.000
<b>Total</b>		3.803	2.855	55.31	0.000

*Source:* Prepared by the researcher based on the questionnaire data and the outputs of the SPSS program.

From Table (06), which sets out the results of the analysis of the questionnaire items, it is possible to record that the degree of agreement of the respondents ranges between (3.20 – 4.39). All these values clearly fall within the "agree" domain, which indicates that the members of the study sample, whether they were accountants, auditors, or certified accounting experts, unanimously approved the statements included in the questionnaire addressed to them. Indeed, the overall mean of the axis reached (3.803), which by itself reflects a strong and positive tendency toward acceptance.

In addition, the *t*-test results for all items of the axis ranged between (31.1 and 43.9), all of which were greater than the tabulated *t* value estimated at (1.684). Furthermore, all the questionnaire items were statistically significant at the 0.05 significance level, as the probability value (*sig*) for all the items was less than 0.05.

Moreover, the *t*-test for the entire axis reached a value of 53.32, which also exceeded the tabulated *t* value (1.684). This strong statistical evidence confirms the validity of the third sub-hypothesis of the research, namely: that the governance of the accounting information system contributes significantly to fostering creativity within Algerian insurance companies in combating financial corruption.

## Conclusions

It has become almost inevitable, in the present time and in the light of the extraordinary complexity, diversification, and magnitude of economic activities across all levels—local, national, and global—that manifestations of financial corruption should accompany, in one way or another, nearly every economic activity. The struggle against this phenomenon is no longer a matter of marginal importance, but rather a fundamental necessity for ensuring the soundness and sustainability of economic systems. Combating this deep-rooted problem requires the adoption of a wide range of preventive as well as corrective measures, and among these measures stands prominently the accounting information system.

As was emphasized throughout the different sections of this study, the accounting information system is not merely a technical tool, but it has acquired, in the contemporary environment, a **strategic dimension**. It is no longer limited to the operational task of recording transactions, but rather, it constitutes the very backbone upon which all accounting information is built, processed, and communicated to decision-makers and stakeholders. Hence, it becomes imperative to apply the principles of governance to this system. Governance represents the latest global orientation for tightening the control over the outputs of institutions. It is adopted in the context of protecting the rights of shareholders as well as other stakeholders, improving organizational performance, strengthening accounting practices, and ensuring the disclosure and transparency of financial reports.

Effective and efficient governance of the accounting information system inevitably leads to establishing robust and reliable control over it. This, in turn, results in the early detection of deficiencies in disclosure, transparency, and emerging manifestations of financial corruption. It also enables their prompt treatment immediately upon detection. Accordingly, the governance of the accounting information system can rightfully be considered as a form of **preventive medicine** against crises and financial corruption, functioning simultaneously as a protective mechanism and a corrective instrument.

## Findings of the Study

Through the course of this research, in which we attempted to address the central problematic question concerning the extent to which the governance of the accounting information system contributes to combating financial corruption, we arrived at a number of conclusions which may be summarized as follows:

- The accounting information system represents a comprehensive set of procedures designed to collect, retrieve, process, and store information in a systematic and reliable manner.
- Accounting information systems constitute one of the most essential pillars relied upon to close the loopholes that pave the way for financial corruption.
- The system must be continuously developed and updated to remain consistent with the rapid changes and evolutions in the business environment, in order to effectively counter all forms and manifestations of financial corruption.
- The application of accounting information systems in institutions leads to the establishment of a form of control over all organizational activities, in the sense that it provides sufficient protection for the assets and resources of the institution.
- The governance of the accounting information system plays a critical role in reducing and confronting the different manifestations of financial corruption.
- An unguided and ungoverned accounting information system creates a fertile environment for the penetration and proliferation of financial corruption.
- The development and modernization of the accounting information system, in line with contemporary transformations and digital advances, has become an inevitable necessity for the effective combat of financial corruption.
- The inability to exercise adequate control over the growing volume of data, particularly in light of the proliferation of subsystem processes within the accounting information system, leads to duplication and redundancy, thereby fostering conditions that facilitate the spread of financial corruption.

## Prospects of the Study

On the basis of the findings that emerged from this research, and in light of the continuing importance of the subject matter, we may propose several possible avenues for future research that could serve as promising projects for academic and applied inquiry:

- Investigating the importance of the governance of the accounting information system in strengthening and activating financial oversight and control mechanisms.

- Examining the governance of the accounting information system and its impact on tax collection efficiency and effectiveness.
- Studying the role of governance principles in reducing both financial and administrative corruption across institutions.
- Exploring the importance of the governance of the accounting information system in combating financial corruption specifically within the context of commercial banks.
- Assessing the effectiveness of the accounting information system in detecting deviations and enabling corrective measures within commercial banks.

### **Conclusions**

The manifestations of financial corruption have become almost an inseparable companion to any economic activity, precisely because of the branching out, the complexity, and the enlargement of economic activities on all levels, whether local, regional or even global. The fight against this phenomenon requires the taking of many different measures in order to resist it, among which stands the accounting information system. And as has been indicated earlier, the accounting information system constitutes a fundamental element in the struggle against financial corruption, since it has acquired what can be called a strategic dimension. It is, in fact, the very tool through which all accounting information that is dealt with is built and structured.

Therefore, it becomes necessary to apply the principles of governance to this system, as governance has come to be considered the latest worldwide orientation aimed at tightening control over the outputs of institutions, and this within a framework that seeks to protect the rights of shareholders as well as other stakeholders, while also improving the performance and the accounting practices, and ensuring disclosure and transparency in the financial reports. Good and effective governance of the accounting information system leads directly to establishing strict and effective control over it, which in turn allows the early discovery of decreasing levels of disclosure and transparency and of the manifestations of financial corruption, and makes possible their immediate treatment as soon as they are discovered. Hence, the governance of the accounting information system can be considered as a kind of preventive treatment against crises and against financial corruption alike

### **Findings of the Study**

Through this study, in which we treated the problematic of the extent to which the governance of the accounting information system contributes to combating financial corruption, we reached a set of findings, which may be outlined as follows:

- The accounting information system is in essence a collection of procedures that serve to gather, to retrieve, to process, and to store information.
- Accounting information systems represent one of the most important pillars relied upon to close the gaps that may lead to financial corruption.
- It is necessary to develop and to update the accounting information system in a manner that keeps pace with the changes and the developments taking place, so as to face all manifestations of financial corruption.
- The application of accounting information systems within institutions leads to the realization of a type of control over all of their activities, since it secures adequate protection for the assets and the possessions of the institution.
- The governance of the accounting information system plays a very large role in limiting and in confronting the various manifestations of financial corruption.
- An accounting information system that is not governed forms a suitable environment for the infiltration of financial corruption.
- The development and the modernization of the accounting information system in such a way that it adapts itself to the contemporary transformations, is an inevitable necessity for combating the manifestations of financial corruption.
- The inability to control the data, particularly with the growing tasks and works under the sub-systems of the accounting information system, leads to duplication and repetition, which in turn helps in spreading the phenomenon of financial corruption.

### Prospects of the Study

From the study we have carried out, it is possible to propose some topics that could serve as ideas for future research projects, such as:

- Studying the importance of the governance of the accounting information system in activating financial oversight.
- Studying the governance of the accounting information system and its effect on tax collection.
- The role of governance principles in reducing financial and administrative corruption.
- Studying the importance of the governance of the accounting information system in combating financial corruption in commercial banks.

The extent of the effectiveness of the accounting information system in detecting deviations and in taking corrective actions regarding them in commercial banks.

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