

## THE IMPACT OF ELECTRONIC ACCOUNTING INFORMATION SYSTEMS ON THE CREDIBILITY OF THE FINANCIAL STATEMENTS FROM THE VIEWPOINT OF THE EXTERNAL AUDITORS IN LIBYA.

Adel Mohamed Hossin  
Abdullah Mohammed Ayedh

### ABSTRACT

*This study was divided into several areas in which it covered the theoretical aspects, where the conceptual framework was built, which included institutional and theoretical theory of systems, the identification of accounting information systems as a system, their characteristics and their relationship to information systems, as well as the identification of the impact Internal control of accounting information systems then we reviewed the financial statements, their types and related to this study and the identification of disclosure in the electronic accounting information systems and the concept, importance, and risk of electronic disclosure. This is to promote the objectives that the study aims to achieve through the study and collection of studies and results related to this study, The theoretical background of this study is based on two theories, namely the institutional theory (Institutional theory), the system theory (systems theory) and the institution in neo-classical theory is the heart of economic theory and this theory is looking at understanding the functioning of the price system as a method of allocating resources, where it is A simple form of an organization that is based on the four defaults on which the model is based on equivalence, independence of conduct, transparency of information and economic rationality, so. Accounting as a theory and application is an essential source of rational decision-making, resulting in the "sensitivity of its environment to it variables, whether from its material or human requirements, but the adaptation of the accounting environment to the areas of information technology has become a necessity for addressing the risks Survival and competition.*

**Keywords:** Electronic Accounting, Information Systems, The credibility of the financial statements,

### Introduction

With the technological advances that the world has witnessed in recent decades, it has become necessary to adapt science to modern developments in computer science and information technology as well as accounting, such as all leading science, where it has become rare in our time to manual use of the accounting system especially in Financial institutions, the technology accounting information system has provided many advantages and removed many of the difficulties and obstacles that existed in the shadow of manual use, making the process of operating and processing operations quickly, with "enabling enterprises to obtain system output in Any time you like it has also enabled it to dispense with traditional accounting methods. " (Al-Qashi, Abadi, 2009)<sup>1</sup> As soon as accountants developed the concept of accounting, accounting became an information system based on the basics of procedures and information technologies that seek to achieve the objectives of collecting and storing data from activities and events and thus institutions can monitor these events and convert the collected data to Information through its treatment which is useful in the decision-making process and which enables management to plan, implement and monitor activities and provide the necessary control system to protect assets and related data. (Hossam Abdulla Abu Khadra 2003)<sup>2</sup> The Conceptual Framework The theoretical background of this study is based on two theories, namely the institutional theory (Institutional theory), the system theory (systems theory) and the institution in neo-classical theory is the heart of economic theory and this theory is looking at understanding the functioning of the price system as a method of allocating resources, where it is A simple form of an organization that is based on the four defaults on which the model is based on equivalence, independence of conduct, transparency of information and economic rationality. Systems theory is an attempt to form a holistic framework for the study of any phenomenon in order to detect the integrity of the elements with each other, i.e. this theory is a methodology through which to detect the nature of relationships and the interrelationship between the elements and components of a studied phenomenon, as for the application The theory of general management systems is the theoretical basis for many concepts and applications such as informatics, in particular, the analysis and design of information systems and systems building. In general, "three basic elements in the definition of systems, namely system design to achieve a specific objective, must be

<sup>1</sup> Al-Qishi, Zahir and Abadi, Haitham. (2009) "The impact of globalization on accounting information systems in financial services companies in Jordan " Journal of Accounting, management and insurance, P718, No. 72. Cairo University. Egypt.

<sup>2</sup> Abu Khadra, Hossam Abdulla. (2003). Accounting information Systems ". Dar Al Furqan for publishing and distribution. Oman. Jordan.

provided with parts or elements of the system, organized in a particular order and having interactive dependencies between parts of the system". (Essam, Amer, Shanti, 2008, p. 11)<sup>3</sup>.

#### **The accounting system.**

It is known that the accounting system is made up of a series of steps and procedures, starting with the inputs and through the different processors and end to the outputs, his steps and procedures have been constrained by different accounting policies to ensure the neutrality of his results (outputs) and honesty in the expression.

Despite the significant technological development and computerization of systems in various professional fields, the accounting system has kept the sequence of steps and procedures, but this sequence has been accompanied by new control procedures in line with:

1. Lack of documentary documentation under computer use.
2. 2-relying on industrial intelligence in analysing and processing operations.
3. The ability of others to penetrate the privacy of the system.

#### **The system**

It is known that the system consists of several elements linked to each other to perform a function or several functions, and regardless of whether the system is computerized or not, it is always governed by policies and procedures that are routinely followed, and those procedures are monitored by the system administrator to ensure that there is no choice Policies developed. Therefore, the system can be defined as "a set of components that are linked to each other and that serve a common purpose and the system can contain a set of tools, machines, Procedures and users"<sup>4</sup> (Al-Dammeh, 2012) The system was defined as "a set of elements or actions that Work with each other within specific relationships or mechanisms in order to achieve a specific goal."

While Arafa is "a group of parts, elements or components that work together in a coherent and coherent manner to achieve a goal or set of specific objectives".

#### **The terms of the system can be defined as follows:**

- A. A range of components, parts, elements or components that may be human, material or both depending on the nature of the system.
- B. There is a harmonious and interdependent relationship between these components, parts, elements or components, in a reciprocal and logical manner.
- C. The system seeks to achieve a specific goal or set of known objectives where the objective of the system is the underlying nerve on which the parts are defined and their relationship to each other.

#### **Information System.**

The information system is the primary source for providing the department with appropriate information for the management decision-making process. The information system is defined as a "set of components that are linked to each other on a regular basis in order to produce useful information, communicate this information to users in an appropriate manner, and time to assist them in the performance of their assigned functions"<sup>5</sup>.

It is also common knowledge that any information system consists of three main components:

1. (Inputs)
2. (Processing)
3. (outputs)

Inputs: These are the events and data that are entered into the system until they are processed.

Treatment: All calculations and logical processes, which are performed on inputs for the purpose of preparation and configuration for the third phase of the system.

Outputs: information, and results from the system after finishing the appropriate processors for input data.

#### **Accounting Information System.**

Accounting, like other sciences, is governed by its own system, consisting of three main parts: input, processing and output. Like any other system, it is governed by a few stringent policies and procedures that cannot be overridden for any reason, regardless of whether the system is computerized.

Many researchers have touched on the definition of the accounting information system as "the general framework that determines how accounting works are performed including analysis, recording, tabulation and classification of operations, the

<sup>3</sup> Amer Chakra, Essam El Tease, Ayman Shanti (2008), analysis and design of information systems, home publishers and distributors. Oman. Jordan.

<sup>4</sup> DLAHMH and Mustafa Suleiman. (2012) "The level of effectiveness of accounting information systems in Saudi commercial banks " scientific Journal of Research and Commercial studies. The second issue. Jordan

<sup>5</sup> Kassem, Abdulrazak Mohamed, (2003), computerized accounting information systems, international publishing and distribution scientific house and Culture house for publishing and distribution, Amman, Jordan, p. 18.

design of documents supporting processes and books that record operations, and the determination of procedures followed In the collection of information on the financial operations of the Company. The accounting information system is also defined as "a system that collects, registers, stores and processes data to produce information for decision-makers to assist them in making appropriate decisions.

On the output side, "The accounting information System produces documents, lists and some other information expressed in financial form and this financial information represents registrations (how much profit is being achieved?) and control information (how much are payments compared to the budget?) Information for decision-making (costs and benefits of a new product)" (Al Dahrawi, 2005)<sup>6</sup>.

#### **Accounting information systems and their relationship to information technology:**

It is one of the most important data of the contemporary century, and its use in institutions is a manifestation of the evolution and adaptation of its variables, on the one hand, and on the other, it has become a specialized knowledge field whose concepts, requirements and techniques have been associated with other sciences in general and accounting science. Accounting as a theory and application is an essential source of rational decision-making, resulting in the "sensitivity of its environment to its variables, whether from its material or human requirements, but the adaptation of the accounting environment to the areas of information technology has become a necessity for addressing the risks Survival and competition" (Naji, 2013)<sup>7</sup>.

#### **Information Technology Concept:**

To date, it has not been possible for researchers and information technology professionals to "agree on a specific definition of information technology, depending on the fields in which it is applied and the angle at which it is considered, as well as the environments and actions created by it" (Shanti, 2011)<sup>8</sup> where Jborri has defined it as "means all means and devices used by individuals in the organization to obtain and process data and information for the display stored and referenced when needed and consists of the group of individual experiences and computers, and means Other communication and software that help to develop the organization's performance" (Gabbury, 2001, p. 141).

It is also defined as "a variety of devices, software, and databases used by organizations to achieve a competitive advantage, through the use of information to increase the performance rate".

While (Jawad, Al-Asadi, 2010) It is defined as "the framework that combines the results of scientific knowledge in both tangible and intangible material, including hardware and equipment, the most important of which are computer and peripherals, software, telecommunications systems, computer networks and rules The data, and the technical knowledge of human skills that are used to obtain, process, organize, store and disseminate data and information with the possibility of retrieval to the needs of the Organization in order to achieve its objectives effectively. "

Yahya and Yusuf also defined it as "any means or tool used for the purpose of dealing with information and in any element of the information system from the stage of data collection to the process of processing and to providing information to the beneficiaries as well as entering the process of storage and retrieval Communication networks, whether sophisticated or traditional.

#### **Physical components of the computer.**

They refer to a collection of physical parts of the equipment used, which is co-operating to accomplish computer tasks and consists of several units:

- A. Input Units: A collection of equipment through which data and software are entered the CPU.
- B. Central Processing Unit: The internal part of the computer system is the Activity centre, which contains a large volume of electronic circuits (artificial intelligence) based on the processing of data based on programmed policies and procedures. The most important of these units are:
- C. Unit of account and logic arithmetic & Logic unit: It is a software that performs mathematical logical calculations.
- D. Control unit: It is the software that controls the operations carried out by the computer, and supervises and directs the input media, output and storage to work according to the instructions of the software and is very similar to the nervous system in the human being, which orders all its members to move.
- E. Primary memory key: Here the data and programs entered are stored by input media, and the results of the processes are stored until they are sent to the print media or to the temporary storage media.
- F. Secondary storage Devices: All means used to store data and programs outside the central operating unit.

<sup>6</sup> Al Dahrawi, Kamal Eldin Mustafa, (2004) analysis of financial statements for investment purposes (Alexandria: University House for printing, publishing and distribution, p. 9.

<sup>7</sup> Naji, Fatlawi, Laila. (2013) "Accounting environment and its adaptive indicators of information Technology " Journal of Baghdad College of Economic Sciences University. The number of the College conference, p 285, Iraq.

<sup>8</sup> Mohammed, Shanti. Ayman, (2011) "The role of information technology in the development of the audit profession " Journal of Baghdad College of Economic Sciences University, p 336, Twenty-seventh issue. Iraq.

- G. Output units Output Units: the means by which the results of the processors are removed from the computer system to the surrounding environment, such as printers.
- H. The computer has become the main nerve for all different systems, and software science has become an indispensable basic science, and specialists have started to develop accounting systems software, but it is difficult to find a single program that can meet all the needs and desires of all companies for their different business. " (Al-Qishi, 2003)<sup>9</sup>.

**The basic difference between the manual and computerized accounting system.**

The main difference between the manual and computerized accounting system lies in the "Performing mind", which means that in the manual system, the human element and through the use of his intellect and innate intelligence analyze things and then make decisions and apply them in accordance with the accepted policies and procedures and may affect or Err, and the error is corrected when detected. But in the computerized system the electronic mind is used, and designed by man, this mind performs orders already placed by human, in other words cannot err, i.e. this mind cannot analyze but can only implement the analysis mechanism drawn to him beforehand and then implemented according of pre-established policies and procedures and cannot override any schemes developed by the human element.

**The role of accounting as an information system:**

Accounting "serves as an information system in an ongoing and integrated process that can be defined in three consecutive steps: (Robinson & Davis, 1997)<sup>10</sup>

- I. Inventory of financial transactions related to the activity of the business and its representation as raw basic data (recorded in the books).
- II. Operation or processing of basic data in accordance with a set of common accounting assumptions and principles so that these data, once operated in the accounting system, become financial information that serves the purposes of the users of this information.
- III. Communicating the information processed to the stakeholders through a series of financial reports. The above steps are representative of the basic components of the system in terms of data entry, operation and processing, and thus obtaining the outputs represented in the financial reports.

**Qualitative characteristics of accounting information.**

In order for the accounting information to be of interest to it by its users, this requires a range of characteristics (attributes or features) by means of "qualitative criteria by which the extent to which the usefulness of the accounting information is judged includes the qualitative characteristics of the information A set of key and subsidiary properties of accounting information, as well as restrictions or limitations on the production of accounting information, as referred to by the United States Financial Accounting Standards Board (FASB), where "the qualitative characteristics of accounting information may be summarized.

- A. Ability to understand the content of accounting information (cognition)
- B. Ability to properly use accounting information in making appropriate and appropriate decisions for which such information has been prepared.
- C. Specific and time-related experience in dealing with the types of accounting information during previous periods of time.
- D. From the foregoing, the use of accounting information is conditional upon and understands the appropriate decision-making, it is not feasible to use accounting information by a person who does not understand the minimum amount of accounting information that may be expressed (in terms of terms used or how that information arises) and who has been Accounting information is judged to be useful.
- E.

**In order for accounting information to be appropriate**, a set of sub-features are required:

- A. Access of information to its users in a timely manner.
- B. Information should be of predictive capacity.
- C. Information has a feedback capacity (reverse).

**In order to be reliable and reliable**, the accounting information also requires a range of characteristics, including:

- A. The information should be prepared in the light of the sincerity of the phenomena that are supposed to be expressed, in a sound and faithful manner and free from any deliberate manipulation.
- B. The information is provable and can be verified.
- C. The information should be unbiased (neutral) and present the facts unimpaired"
- D. Regarding the comparability of information and the consistent application of accounting methods and methods, it is a property that is overlapping with the appropriate and reliable features.

---

<sup>9</sup> Al-Qishi, Zahir and Abadi, Haitham. (2009) "The impact of globalization on accounting information systems in financial services companies in Jordan " Journal of Accounting, management and insurance, P39-42, No. 72. Cairo University. Egypt.

<sup>10</sup> Davis, Charles E. (1997), "An Assessment of Accounting Information Security", the CPA Journal, New York (Vol. 67, Iss. 3).

### The main characteristics of the accounting information.

#### I. Appropriateness:

"The information has the appropriate property when it affects the economic decisions of users by helping them to evaluate past, present and future events or when confirming or correcting their past assessments" .

The appropriate accounting information enables users to:

- A. Create expectations of the results that will ensue from past, present or future events.
- B. Enhance current expectations or change these expectations, which means that appropriate information leads to a change in the degree of certainty for the decision in question to improve the decision-making capacity to predict future expected results and to enhance or correct past or current expectations.
- C. Evaluate the results built upon these decisions.

In this area, Shirazi adds that it is useful to sacrifice some arithmetic accuracy and uncertainty against the right timing, which explains that "the decision-making process is always time-bound, so the appropriate information is the one that is available at the right time, even if it is at the expense Accuracy or extent of validation of the resulting measurements ".

- #### II. Reliability:
- "The information has the property of reliability if it is free of significant errors and the users can rely on it as information that faithfully expresses what it is intended to express or is expected to express".

The United States Accounting Standards Board (FASB) has identified the following characteristics to achieve the reliability of accounting information. (Ismail, N. A., & King, M. (2014)<sup>11</sup>. Factors influencing the alignment of accounting information systems in small and medium sized Malaysian manufacturing firms. Journal of Information Systems and Small Business.

Information security. Information security is known from an academic angle "it is a science that examines theories and strategies to protect information from the risks it threatens and from the activities of aggression against it " from a technical standpoint, information security is defined as the "means, tools and procedures to be provided to ensure the protection Information from internal and external hazards ", from a legal standpoint, the security of information is defined as the" place of studies and protective measures of confidentiality, the safety of content, the availability of information and the control of activities of aggression against or exploitation of their systems to commit crime ". Academic aspect: "Research into policies and strategies that should be pursued to protect information from the various attacks that it may experience and the risks it can pose".

Technically, information security is defined as "the range of means, measures and procedures that must be provided to ensure the protection of information against risks arising from both within and outside the protected information environment." (www.arablaw.org/information, p1.1 information security is also defined as "technical policies, procedures and standards that are used to prevent inadvertent access, theft or destruction of records." (Sultan, 2000, p. 396) Information security "is the policies, practices and technology that must be within the organization to trade business transactions electronically through the networks with reasonable and assured security, this security applies to all activities, transactions, electronic storage and on businesses Customers, regulators, believers and anyone else can be exposed to the risk of penetration. Information Security Strategy: The Information security strategy or information security policy is defined as "the set of rules applied by persons in dealing with technology and information within the enterprise relating to access to information, work on its systems and management", on the other hand, is defined as "the set of rules relating to access, disposition and transfer of information within a structure that adopts information as an essential element in improving its performance and attaining its objectives". Through the foregoing, we find that the information security strategy is the rules that determine how to access and deal with information. The information security strategy is very important for maintaining the security of the relevant information systems in order to prevent persons without access to information from reaching, dealing with or identifying such information.

#### Objectives of the Information security strategy:

For the information security strategy to be successful, effective and workable, it is essential that all functional levels related to that strategy be jointly developed and implemented, as those levels seek to make that strategy a success through the achievement of the objectives of the information security strategy, which is:

1. To familiarize users of information systems and administrators with their obligations and duties required to protect computer systems, networks and information in all its forms and in the various stages of the gathering, introduction, processing, transmission via networks and re-retrieval when needed.
2. Identify and control the mechanisms through which the specific duties of those who have a relationship with the information systems and systems and the determination of responsibilities when the risk is achieved are realized and implemented.

---

<sup>11</sup> Ismail, N. A., & King, M. (2014). Factors influencing the alignment of accounting information systems in small and medium sized Malaysian manufacturing firms. Journal of Information Systems and Small Business.

3. Describe the procedures in place to avoid threats and risks and how to deal with them and the authorities responsible for doing so<sup>12</sup>.

#### **Accounting information Systems security requirements.**

The protection of the security of accounting information systems is an important and necessary issue that the institution should consider and develop a "comprehensive protection plan within its regulatory and physical capabilities that must be strong, not weak, and therefore has several requirements for the protection Accounting Information Systems:

- a. Development of a general security policy for accounting information systems that is determined by the nature and application of the enterprise.
- b. The senior management of the facility must support the security of its information systems.
- c. The security of information systems in the enterprise must be assigned to specific persons.
- d. Determine the protection required for different operating systems and applications.
- e. Identification of monitoring and inspection mechanisms for information systems and computer networks.
- f. Keep Backups of information systems securely.
- g. Encrypt information that is saved, stored and transmitted on various media.
- h. To ensure the continuity of the work and readiness of information systems, especially in the event of crisis and to address the risks related to information systems.

#### **Financial statements (users and targets)**

Financial statements are an essential means of communicating with parties interested in the activities of the Foundation, through which they will be able to identify key elements affecting the financial position of the Organization and the results achieved.

Definition of financial statements

"The means by which the Department and the parties concerned are conveyed a brief picture of the profits and financial position of the economic unit." (Mechri Belle 2008)<sup>13</sup> "The financial statements are the final product of accounting, where all the data are ultimately summarized. They are recorded in the ledgers that appear in the ledger as a set of reports, and the reports are not an end but rather a means of obtaining information and results to benefit from them in decision-making,

To judge the results of the Unit's operations and assess its financial position. " (Mohammed Abbas Badawi)<sup>14</sup>. Users of financial statements and their information needs. Multiple categories of use of accounting information are used in the rational economic decision-making process "users of financial statements can be limited to the following: current and potential investors-employees-suppliers and commercial creditors-clients-lenders-government and its various departments and regulators of business institutions – the public" (Mohammed Abu Nassar 2008)<sup>15</sup>.

- a. Current and potential investors
- b. Staff
- c. Commercial Suppliers and creditors
- d. Customer
- e. Lenders

#### **Conclusion**

In general, this study was divided into several areas in which it covered the theoretical aspects, where the conceptual framework was built, which included institutional and theoretical theory of systems, the identification of accounting information systems as a system, their characteristics and their relationship to information systems, as well as the identification of the impact Internal control of accounting information systems then we reviewed the financial statements, their types and related to this study and the identification of disclosure in the electronic accounting information systems and the concept, importance and risk of electronic disclosure. This is to promote the objectives that the study aims to achieve through the study and collection of studies and results related to this study.

<sup>12</sup> [www.arablaw.org/information](http://www.arablaw.org/information), p2

<sup>13</sup> Belle, Mechri, (2008), The role and importance of financial statements in decision making, note master, unpublished, Faculty of Commercial Sciences, University of Setif, p. 10.

<sup>14</sup> Badawi, Mohammed Abbas, (2009), Accounting and financial statement analysis, Dar al-Hana, Egypt, p. 262.

<sup>15</sup> Nassar, Mohammed Abu and Juma Hamdat, (2008), Accounting and financial reporting standards, theoretical and practical aspects, Wael Publishing House, Amman, p. 4, p. 5

## References

- Al Dahrawi, Kamal Eldin Mustafa, (2004), Analysis of financial statements for investment purposes (Alexandria: University House for printing, publishing and distribution, p. 9.
- Al-Qishi, Zahir and Abadi, Haitham. (2009), The impact of globalization on accounting information systems in financial services companies in Jordan " Journal of Accounting, management and insurance, P714, No. 72. Cairo University. Egypt.
- Abu Khadra, Hossam Abdulla. (2003). Accounting information Systems ". Dar Al Furqan for publishing and distribution. Oman. Jordan.
- Amer Chakra, Essam El Tease, Ayman Shanti (2008), Analysis and design of information systems, home publishers and distributors. Oman. Jordan.
- Badawi, Mohammed Abbas, (2009), Accounting and financial statement analysis, Dar al-Hana, Egypt, p. 262.
- Belle, Mechri, (2008), The role and importance of financial statements in decision making, note master, unpublished, Faculty of Commercial Sciences, University of Setif, p. 10.
- Dlahmh and Mustafa Suleiman. (2012) "The level of effectiveness of accounting information systems in Saudi commercial banks " scientific Journal of Research and Commercial studies. The second issue. Jordan.
- Hussain, Ahmed Hussain Ali (2011) "Accounting information systems intellectual framework and applied Systems " University House. Alexandria. Egypt.
- Ismail, N. A., & King, M. (2014). Factors influencing the alignment of accounting information systems in small and medium sized Malaysian manufacturing firms. Journal of Information Systems and Small Business.
- Kassem, Abdulrazak Mohamed, (2003), Computerized accounting information systems, international publishing and distribution scientific house and Culture house for publishing and distribution, Amman, Jordan, p. 18.
- Mohammed, Shanti. Ayman, (2011), The role of information technology in the development of the audit profession " Journal of Baghdad College of Economic Sciences University. Twenty-seventh issue. Iraq.
- Naji, Fatlawi, Laila. (2013), Accounting environment and its adaptive indicators of information Technology " Journal of Baghdad College of Economic Sciences University. The number of the College conference. Iraq.
- Nassar, Mohammed Abu and Juma Hamdat, (2008), Accounting and financial reporting standards, theoretical and practical aspects, Wael Publishing House, Amman, p. 4, p. 5
- [www.arablaw.org/information](http://www.arablaw.org/information), p1
- [www.arablaw.org/Information](http://www.arablaw.org/Information), P24
- [www.arablaw.org/information](http://www.arablaw.org/information), p2

Adel Mohamed Hossin  
*Faculty of Economics and Muamalat*  
*Universiti Sains Islam Malaysia,*  
*Email: [adelagiel@gmail.com](mailto:adelagiel@gmail.com)*

Abdullah Mohammed Ayedh  
*Faculty of Economics and Muamalat*  
*Universiti Sains Islam Malaysia,*  
*Email: [abdullah.mohammed@usim.edu.my](mailto:abdullah.mohammed@usim.edu.my)*