Abstract for an Accounting Master Thesis Titled

The Quality of Internal Audit Activities and its Role in Reducing Fraudulent Accounting Practices

Field study on Egyptian environment

By

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Summary

The wide spread of financial scandals in recent years has increased interest in internal auditing as a key contributor to effective corporate governance and the quality of external financial reporting.

The internal audit is a day-to-day review of the management’s decisions and actions therefore, the quality and efficiency of its activities reduce the management’s ability to intervene in the preparation of financial statements and reports, such as intervention in the development of accounting estimates and the choice between alternatives and accounting policies.

This research aimed to study and analyze the quality of internal activities and to what extent help reduce fraudulent practices.

To achieve this objective, the researcher performed a study and analyzed the nature and types of fraudulent accounting practices, and the impact of the quality of internal audit activities on those practices in order to develop a proposed framework for activating this role, with the field study on the Egyptian environment to test the research hypotheses underlying the proposed framework, which are:

1- There is an inverse relationship with statistical significance between determinants of the quality of internal audit activities and fraudulent accounting practices in the Egyptian business environment.

2- There is an inverse relationship with statistical significance between value-added internal audit activities and the fraudulent accounting practices in the Egyptian business environment.
3- There is an inverse relationship with statistical significance between the co-sourcing of internal audit activities, improve the quality of internal audit activities and the fraudulent accounting practices in the Egyptian business environment.

4- There is statistically significant relationship between the proposed framework to improve the quality of internal audit activities and the fraudulent accounting practices in the Egyptian business environment.

The research concluded to a number of results including the following:

1- The quality of internal audit activities and their effectiveness in reducing fraudulent accounting practices depend on the availability of several determinants, the most important of which is professional ability, independence and objectivity, quality performance tasks.

2- There is a variety of fraudulent accounting practices types and tools, which adopted by the management to influence the results of operations, financial position, cash flows, etc.

3- The role of the quality of internal audit activities can be developed in the detection of fraudulent practices by giving attention to four dimensions of development related to the internal auditor, value added internal audit activities, co-sourcing of internal audit activities, activate the relationship between the internal audit and other parties of corporate governance.

4- The field study proved the validity of the first, second, third, fourth hypotheses.
In the light of the previous results, the research reached some recommendations with the mechanisms to achieve them and these recommendations are as follows:

1- The establishment of the Egyptian institute of internal auditor in the format of the American institute of internal auditors, which concurred with issuing internal audit standards, conducting training sessions on a continuous basis, and establishing controls to regulate the process of relying on external sources to perform internal audit.

2- Increasing the attention of professional organizations supervisory and regulatory authorities on the method of fraudulent accounting practices.

3- The application of the proposed framework to improve the quality of internal audit activities in the reduction of fraudulent accounting practices in the Egyptian business environment.